

EUROPEAN NEWS

France presses UK for Ariane satellite launch

BY DAVID MARSH IN PARIS
FRANCE is stepping up diplomatic pressure on Britain to persuade the UK Defence Ministry to launch the SkyNet 4C military communications satellite with the European rocket Ariane rather than the US space shuttle.



Mr Curien: Persuasion

Indications are however that the Defence Ministry, which says it needs to take a decision on the matter before the end of the month, will disappoint the French by opting for the US launcher.

Mr Jacques Viot, France's ambassador to the UK, has asked to see Sir George Younger, Britain's new Defence Secretary, to discuss the matter but has not yet been given a date for a meeting.

Mr Hubert Curien, the French Research and Technology Minister, tried to persuade Mr Michael Heseltine, the former Defence Secretary, of the need to launch the satellite with the French-led Ariane rocket during the last Anglo-French ministerial meetings in London at end-November.

France has asked itself not satisfied with Britain's explanations so far, pointing out that most commercial satellite companies, including those from the US, spread their orders between the US and European launchers.

A further reason tipping the scales in favour of launch with the shuttle is the British Government's belief that this would allow a British astronaut to take part in the 1988 flight—not a possibility with the unmanned Ariane rocket.

craft is only in the early stages of being built—by a consortium led by British Aerospace, which also includes Matra of France—British officials say converting the satellite to make it capable of being launched by Ariane would cost £3m.

This is because the SkyNet 4 series—the first two craft, A and B, are due to be launched with the shuttle this summer and early 1987—has been built to be carried in the shuttle's cargo bay.

British officials say the necessary modifications would include changing the aerial supports and adjusting the spacecraft for different levels of vibration and stress on board Ariane.

Concern at cost of fast breeder

BY OUR PARIS STAFF
SUPE RHENIX, the French-led 1,200 mW fast breeder reactor, has finally started to deliver current to the European electricity grid. But Electricite de France (EDF), the French state utility which has a 51 per cent stake in the power station, has voiced concern about the

expense of the project and warned that it wishes to lower its stake in the new European fast breeder planned for the 1990s.

Superphenix, which has cost FFr 25bn (£2.3bn) to put into operation after a controversial 11 years of construction at Creys-Malville near Lyon in the Rhone valley, will produce electricity at more than twice the cost of France's network of pressurised water nuclear reactors (PWRs).

Mr Remy Carle, EDF's equipment director, said the utility wanted its stake to fall below 50 per cent in a planned future fast breeder which would group the Italian, West German, British, Dutch and Belgian electricity industries.

Mr Marcel Boiteux, the EDF chairman, said that Superphenix was a "technological success but an economic disappointment."

The breeder, which burns a mixture of plutonium and depleted uranium normally discarded by the nuclear industry, aims to save energy resources by stretching considerably the useful life of the world's uranium reserves. The economics of fast breeders have been undermined in recent years, however, by slower growth in energy demand, a fall in uranium prices and a drastic scaling back of nuclear construction programmes.

A decision on the future breeder will not be taken at least until 1987-88, raising doubts whether it would be completed this century. Superphenix, which is the world's first commercially operating breeder, will be undergoing further tests in coming months before going into full use towards the end of the year.

Starting on January 14, it has been delivering current not only to France but also to Italy, which has a 33 per cent stake in the project, and West Germany.

Mr Carle said European utilities were trying to interest electricity companies in the US and Japan in the future project but nothing concrete had yet been decided.



'Twins' help to bridge the German divide

By Our Bonn Correspondent

ANOTHER TINY milestone on the path towards more normal relations between the two German states has been reached with the agreement in principle on the first "twinning" agreement between towns in the two countries.

The towns involved are Saarouis, in the state of Saarland close to the frontier with France, and Eisenhuettenstadt, just south of Frankfurt-on-Oder a few miles from East Germany's border with Poland.

The agreement owes not a little to the fact that the Saarland is run by a left-leaning Social Democrat (SPD) administration and is, moreover, the birthplace of Mr Erich Honecker, the East German leader. However, national politicians here are hopeful that it is a further pointer to East German readiness to allow easier human contacts between the two states.

Mr Manfred Heinrich, the mayor of Saarouis, said yesterday that exchanges should not merely involve officials but, as with twinning agreements with other West European states, embrace school groups, sports teams and reciprocal holiday visits.

Whether events so transpire, remains to be seen. However, the Saarouis/Eisenhuettenstadt agreement comes shortly after a cultural accord has been finalised between East and West Germany which now awaits the approval of the individual Länder (states).

There has been speculation here that its signature might prove the occasion for the keenly anticipated working visit to West Germany by Mr Honecker, originally set for September 1984 but called off after fierce Soviet pressure on the East German leader.

W. German property giant wants state aid, writes Rupert Cornwell

Cash tremors rock union edifice

THE WEST GERMAN labour movement, weakened and already embroiled in conflict with the Government over planned changes in the country's strike law, is now being forced to tackle a still more embarrassing difficulty—the deepening financial plight of Neue Heimat, its giant property and construction group.

What is claimed to be Europe's largest housing concern has been forced recently to deny reports that it is on the brink of collapse. The Bonn government has already rejected its feelers about a possible bail out.

At the same time, rumours are multiplying that the DGB, the central union federation, and its 17 member unions are examining sweeping changes in the structure of their massive financial and industrial holdings, to help ease the problems created by Neue Heimat.

The troubles stem from excessive land buying and development in the late 1970s, based upon a misreading of the property market. Neue Heimat's former management was replaced in 1982.

Mr Diether Hoffman, summoned that year to re-organise the concern, has since pursued a controversial policy of selling off part of its housing stock to restore its finances. Since 1982 some 30,000 homes have been disposed of, staving off the day of reckoning, but the group is still losing money heavily.

At the end of 1984, Neue Heimat's debts totalled DM 17.8bn (£5.1bn). Most of it is long term, and secured against property assets. The real worry involves DM 1.7bn of short term borrowings, to which 40 creditor banks are

THE RULING centre-right coalition here is showing the first signs of a readiness to compromise on its bitterly contested plans to tighten the existing strike laws in West Germany, writes Rupert Cornwell.

The amendment, which would have the effect of severely restricting the right of workers laid off as a result of a strike to claim unemployment benefits, has been greeted with outrage by the union movement. Equally seriously, it has caused much unease in the wing of the Christian Democrat party of Chancellor Helmut Kohl which traditionally draws support from the working vote.

These doubts surfaced at the weekend most visibly, in

a tense meeting of the CDU's social affairs representatives, chaired by Mr Norbert Blum, the Labour Minister. Senior party spokesmen now accept the possibility of changes in the amendment's text, although they maintain that its broad thrust must remain intact.

For their part the unions are divided on how to proceed. While militant unions like IG Metall, the 2.5m-strong engineering workers grouping, favours all-out protest, this course is opposed by more moderate unions like the chemical workers, who believe that a co-ordinated "action day" by all 17 member unions of the central labour federation would be unconstitutional.

Chancellor Helmut Kohl has already turned a deaf ear to a plea from Mr Hoffman that the central Government should step in. Mr Gerhard Stoltenberg, his light-pocketed Finance Minister, has gone further, suggesting the unions would be better employed "giving DM 1bn to help Neue Heimat, instead of frittering away the money on demagogic protest" against the mooted new strike law.

Despite the fact that municipalities up and down West Germany have frequently worked with Neue Heimat on communal housing projects, the view of the Government is that it is up to the unions, as the owners of the concern, to put its finances in order.

The unions have already injected some DM 1.5bn into their problem child however. With both sides rejecting the obvious simple trade-off—a state rescue for Neue Heimat

in return for uncontested passage for the strike Bill—the labour federation is having to look elsewhere for an answer.

One idea being canvassed is for the housing group to be split up into nine separate entities, each covering a single Land, or state. A second is that foreign banks exposed to Neue Heimat should have their loans taken over by domestic banks, thus permitting a purely "German" solution to the crisis.

An alternative possibility, into which the magazine Der Spiegel has ventured in great detail, is a partial flotation, or sale of the considerable other interests held by the union movement's central holding company, Beteiligungsgesellschaft fuer Gemeinwirtschaft (BGAG).

A step said to have been explored (and allegedly vetoed by the Federal Cartel Office in West Berlin) is the disposal of BGAG's controlling stake in the Volksfuersorge Lebensversicherung insurance group, capitalised at DM 150m and with total balance sheet of DM 62.7bn. Another might be a public stock market offering of a third of the DM 1bn capital of the union-owned bank, Bank fuer Gemeinwirtschaft, whose balance sheet at the end of 1984 stood at DM 48.1bn.

Both interested parties have issued denials, in peremptory terms at the very notion that labour might have to resort to the devices of capital to get itself out of its financial hook.

The outrage however is not entirely convincing. For few doubt that if the Government remains aloof, something out of the ordinary will have to happen if the latest chapter of the Neue Heimat affair is not to be the last.

Czechoslovakia eases curbs on dissidents

BY LESLIE COLT IN BERLIN

THE CZECHOSLOVAK authorities have relaxed measures against the Charter 77 dissident movement prior to holding a Community party congress in late March.

Supporters of Charter 77 said their long disconnected telephones were re-installed recently, while confiscated typewriters have been returned by the police. A spokeswoman Mrs Anna Sabatova said fewer "repressive" police methods were being used. The Govern-

ment appeared to want to demonstrate that it was in harmony with the population in the weeks leading up to the congress.

The Government yesterday gave one of the country's leading poets, Mr Jaroslav Seifert, a state burial. Mr Seifert, who won the Nobel Prize for Literature in 1984, was a signatory to Charter 77.

Thousands of citizens who idolised him attempted to gain access to the funeral service.

The recent permission given to a prominent Czechoslovak exile to visit his homeland was also seen in Prague as a change in the Government's approach to dissidents. Mr Milan Horacek, a member of the West German Parliament for the Greens party, was stripped of his Czechoslovak citizenship in 1980 as a Charter supporter.

He was allowed to visit his family in Moravia and to hold group meetings with leading Charter activists in Prague. It was unclear whether the

relaxation by the authorities included religious activists who were reported arrested or put on trial late last year for illegally printing religious literature and trying to smuggle Bibles into the Soviet Union.

Mr Vasil Bilak, a leading member of the ruling politburo, made a rare mention of Charter 77 last month when he said the "anti-state" group represented no-one in Czechoslovakia and was listened to only by those who were paid by "anti-Communist centres."

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AMERICAN NEWS

Reagan to resist further cuts in defence spending

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan yesterday warned 709 Republican congressmen that the Soviet Union would be watching the forthcoming debate over the federal budget deficit to see whether the US is prepared to maintain an adequate level of defence spending.

Mexican companies fight loans policy

BY DAVID GARDNER IN MEXICO CITY

INDUSTRIALISTS in the private sector stronghold of Monterrey in north-eastern Mexico are strongly opposing Government plans to severely limit the availability of credit provided by the nationalised banking system this year.

US steelmaker to lay off 25% of Cleveland workforce

BY WILLIAM HALL IN NEW YORK

THE SECOND biggest steel maker in the US, LTV is to lay off a quarter of its workforce at its large steel plant in Cleveland, Ohio, in a move designed to help the company survive the slump in the US steel industry.

Transatlantic co-operation urged to replace Concorde

BY TERRY DODSWORTH IN NEW YORK

MR JEAN AUROUX, the French Transport Minister, called yesterday for transatlantic co-operation on a new supersonic airliner to replace the Anglo-French Concorde when it reaches the end of its service life.

Ann Charters reports on a woman's audacious attempt to bring order to the debt-ridden city of Fortaleza Brazil's reforming mayor throws down a challenge

MS MARIA LUIZA FONTANELLE, the newly elected mayor of Fortaleza, Brazil's fifth most populous city, is overturning all political conventions and challenging the continued conservatism of government since the end of military rule last year.

She took office on January 1 but has wasted little time in making her mark. Her most controversial action has been to back striking municipal workers who yesterday shut down services in this northeastern city. Her aim is to lay the blame for the chaos in municipal finances she inherited firmly at the feet of the Federal Government in a meeting she is due to have with President Jose Sarney tomorrow.

Her upset victory in last November's municipal elections with its Brazil-wide reverberations broke all norms espoused by political pundits for a successful candidacy. Twice divorced at the age of 43 with little political party support, "Maria Luiza" was elected in the impoverished state of Ceara in north-eastern Brazil, long noted as a bastion of male dominance in agriculture, government and business.

Called a female Pedro Cicero after a defrocked priest in the early 1900s who mystically united peasants in the drought stricken interior of Ceara into a political base, Maria Luiza rejects the comparison. She maintains her appeal is real, not based on promising miracles. In tackling the city's problems together with the residents, folk hero she may not yet be, but Maria Luiza sensed the population's demands for change.

With only a 10,000-vote margin out of 550,000 total votes cast, the seven-year veteran state assemblywoman has carved her constituency out from among the poor, students and women. Their support, not revealed in pre-election polls and surprising even Maria Luiza herself, is a fact no longer lost on local politicians long accustomed to handpicking candidates for office and distributing patronage. The practice, a part of "coronelismo" (power brokering), is historic in north-eastern Brazil.

Those who owned the large tracts of land or built commercial fortunes became the political bosses, or coronels (colonels). In Ceara, Maria Luiza has to contend with a powerful triumvirate: one a former Minister of Mines and Energy under the recently deposed military government, and now the vice-governor of the state. Another is the governor, intent on forming his own political base with the ruling Brazilian Democratic Movement Party. Elected twice to the state legislature on the PMDB ticket, Maria Luiza broke with the party three months before the election to run for mayor as candidate of the Worker's Party (PT). More socialist in orientation and combatively leftist, she finds the PT more suited to her viewpoints. She speaks of the people's struggle to end favouritism, repression and violence as practised by the coronels and the need to make government accountable to the people.



Maria Luiza Fontanelle: overturning political conventions

Republic?" With practically no support from PT national leaders during the campaign, she garnered 32.5 per cent of the votes compared with the party's showing of 0.1 per cent in the 1982 state elections.

During the campaign, she identified closely with the common folk. Dressed in jeans and a simple pretty blouse, she greeted hangers-on spilling into her office and the innumerable phone calls with measured attention and warmth, punctuating her pertinent questions with a throaty "querida" (dear), as a form of address. With coeury contagious even in Fortaleza's 37°C heat, the former sociology professor with an MA in development sociology from Vanderbilt University in the US carefully rations her time in a frenetic sunup-to-sundown schedule.

Governing Fortaleza, a city ridden with debt and sinking into the red as 90 per cent of monthly revenues just cover salaries for 35,000 city employees, will be no mean feat in her case, it presents even more of a challenge because she has raised expectations that her three-year administration will be different.

The city's debt (an accumulated \$200m in 1985) became seriously bloated in the last two years as people fled to the city after five years of drought in the interior and then last year's

flood. Last July, the city payroll was swollen by 10,000 appointees as a legacy from the outgoing mayor, a son of one of the coronels.

In a mixture of egression and naivete, the mayor-elect states that the 33-member city council will not be an obstacle to her reforms, since as she put it, "I have the people's interests at heart."

With the intent of putting her sociology into practice and ethics into public service, Maria Luiza plans to decentralise the city's services to the neighbourhoods where local councils define priorities.

Some 14,000 civil servants are expected to start leaving their jobs this year. Reassessing property values for tax purposes could generate another Cr 1 trillion (million million) (\$100m) as a real boost to this year's projected revenues of Cr 1.8 trillion.

With 20 per cent of the city's 1.5m inhabitants unemployed, the new mayor plans to create opportunities in ceramics, artisan objects and tourism. She has no plans to attract industry to an economy heavily dependent on exports of fish, lobster and cashew nuts and fledgling spinning and steel industries.

Maria Luiza is regarded as a tenacious fighter but many wonder if she can put together an administration that delivers on promises.

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WORLD TRADE NEWS

Delors asks Tokyo to set up trade watchdog

BY JUREK MARTIN IN TOKYO

THE European Commission has invited Tokyo to devise methods to ensure that more foreign-manufactured products are sold in Japan.

In lengthy talks in Tokyo yesterday with Mr Yasuhiro Nakasone, the Japanese Prime Minister, and other officials, Mr Jacques Delors, the EEC President, was reported by Japanese sources to have asked for a watchdog committee to be set up.

Mr Delors's spokesman also hinted last night that the Commission would not object if Japan were to propose negotiations along the lines of the so-called MOSS (market-oriented, sector-selective) talks recently concluded in four product areas with the US.

The spokesman emphasised that Mr Delors had not placed this proposition before Mr Nakasone, or any other Japanese official over the previous 24 hours, but he implied that in public speeches today and tomorrow he might address the issue.

The EEC still believed that Japan ought to set specific import targets, as requested by three visiting Commissioners here last November. This approach was rejected then, and again this week, which has

led the EEC to try to find a more acceptable "methodology." EEC officials have several formulae in mind. One, most recently presented in November, is that Japan should commit itself over the next three years to increase the ratio of manufactured imports to gross domestic product from the 2.9 per cent level of 1984 to 4 per cent by the end of 1988. By comparison, the US ratio is about 10 per cent and EEC's 6.2 per cent.

Alternatively, Japan might set absolute figures, which would be equivalent to a rise in manufactured imports from the \$32.5bn (£22.7bn) of 1984 to \$56bn by 1988.

Mr Nakasone told Mr Delors that Japanese policy was directed to promoting imports, maintaining a higher value for the yen, and generally spurring economic growth. But he was said to have made no reference to specific figures.

Mr Delors's visit is clearly an important one in the development of EEC commercial policy towards Japan. The Council of Foreign Ministers will convene next month to consider a report to be submitted by the three commissioners who came here last November. The president's views will help them make their decisions.

Thatcher tells Japan to cut surplus

By Alain Cass

JAPAN IS still not doing enough to open up its markets to the rest of the world and reduce its trade surplus, Mrs Margaret Thatcher, the British Prime Minister, told Mr Shinzaro Abe, Japan's Foreign Minister, yesterday.

Mrs Thatcher also expressed her concern that the international trade deficit was becoming very big and would have to be tackled "head on" at the next economic summit in May in Tokyo.

Mr Abe, who also held talks with Mr Leon Brittan, Trade and Industry Secretary and Sir Geoffrey Howe, Foreign Secretary, defended Japan's position by saying that the extensive tariff cuts announced last year were being steadily implemented.

Mr Abe also said that the yen against other currencies would help reduce the Japanese trade surplus which stood at a record \$46.14bn (£32bn) last year.

Mrs Thatcher said that this was not enough. In line with increased concerns in Europe and the US over rapidly increasing Japanese trade surpluses, Mrs Thatcher told Mr Abe that "more fundamental" measures would have to be taken to restore a balance such as the purchase of major, single items including aircraft.

Christian Tyler added: Europe's demand that Japan set firm targets for its imports from the EEC was a demand for reassurance that Japan's market-opening measures were genuine, Mr Leon Brittan, Trade and Industry Secretary, said yesterday.

He set out the EEC's position in an hour-long meeting with Mr Abe.

The European Parliament last week carried a motion criticising the Japanese measures as cosmetic and deploring Japan's refusal to put numbers to the "buy-foreign" campaign launched last year by Japan's Prime Minister, Mr Yasuhiro Nakasone.

Mr Brittan's talks yesterday were not, however, designed to pick over Anglo-Japanese trade issues, according to ministry officials.

A reduction in traffic is threatening the canal system's future, reports Bernard Simon

Shadow hangs over St Lawrence Seaway

SHIFTING TRADE patterns have cast a long shadow over the future of Canada's St Lawrence Seaway, the canal and lock system which joins the Great Lakes to the estuary of the St Lawrence River and the north Atlantic.



Traffic through the seaway, which is part of the world's busiest inland waterway, dropped last year to the lowest levels since the mid-1960s. As ice packs ushered in the annual winter closure in late December, seaway officials estimated that volumes fell by 22 per cent in the 1985 season, the sharpest drop in a downward trend which began in the late 1970s.

Traffic through the 27-mile Welland Canal, which bypasses the Niagara Falls between Lakes Erie and Ontario, slumped to 42m tonnes last year, the lowest since 1962.

Losses suffered by the St Lawrence Seaway Authority, a Canadian Government agency responsible for the Welland Canal and 13 of the seaway's 16 locks, are expected to reach C\$20m (\$11m) in the year to March 1986, bringing accumulated deficits to more than C\$20m.

A 6 per cent rise in tolls which takes effect when the seaway re-opens in April will raise annual revenues by only C\$3m-\$4m.

Without the seaway's locks, ships would be unable to pass between the Great Lakes and the St Lawrence, which are separated by a series of rapids

and waterfalls with a total drop of about 600 ft.

The seaway, opened in 1959 by Queen Elizabeth and President Dwight Eisenhower, replaced a series of small locks and channels which required transshipment of all cargo for ports below Lake Ontario.

The downturn in traffic is most pronounced in grain and iron ore which, between them, make up about three-quarters of cargo passing through the seaway. Less than a quarter of US grain exports are now carried through the lakes, compared with forecasts of 50 per cent made in the early 1980s.

Iron ore mines in Quebec and Labrador, which provide the bulk of the seaway's west-bound traffic, have lost market

share to more competitive producers in other parts of the world. A growing proportion of imports, especially from Brazil, is shipped to steel mills through US east coast ports.

The Great Lakes and the St Lawrence have lost grain business to Canadian west coast ports and to Mississippi barges. The proportion of Canada's wheat exports moving along the St Lawrence fell from 58 per cent in the season to July 31 1984 to 47 per cent last year.

Besides a higher proportion of sales to the Far East, a Canadian Wheat Board official says: "We're trying to make use of the west coast to the fullest extent possible because it's cheaper for us."

The drop in traffic has

rippled through to the economies of many Great Lakes communities. In the depths of last year's slump, half of the 140 lakers—each employing 25 crew members—were idle.

About 1,000 workers temporarily lost their jobs at grain elevators in Thunder Bay, the grain port on the western edge of Lake Superior.

The seaway authority's financial problems have also raised a question mark over a C\$2bn project, now on the drawing boards, to increase the capacity of the Welland Canal. Preliminary plans are due to be submitted to the Canadian Government by the middle of this year.

There is widespread agreement that at defining the problems of the Great Lakes and St Lawrence Waterway is much easier than finding solutions.

"The solution is to get more business, but how do we do that I don't know," says Mr Donald Rochwell, president of the Great Lakes Waterways Development Association, a group of 40 shippers and ship operators.

The Seaway Authority, based in Ottawa, has given little attention lately to long-term issues. It has had its hands full with an unusual series of accidents which have delayed traffic and brought a spate of bad publicity.

The authority has received almost 1,000 notices of legal action from disgruntled users following the failure of a shaft on a lift bridge upstream of Montreal, a ship's collision with another bridge, and a pressure burst on a lock which closed the Welland Canal for three weeks last November.

Nonetheless, a start has been made with efforts to attract more traffic. The US Seaway Development Corporation is sponsoring a mission to Europe to attract new business, and the Quebec Government has set up a group to promote the seaway.

The role of ship's pilot is coming under scrutiny. Pilots' charges can run to several thousand dollars for the Thunder Bay-Atlantic journey. Many users contend that modern navigation aids have made pilots superfluous.

Mr William O'Neill, president of the Seaway authority, says: "We do need pilots. Whether they need to be employed exactly as they are now is the question."

Some experts argue that the St Lawrence would attract more business if it stayed open all year. But keeping the river ice-free would be costly.

The shipping season has been extended by about a month since the seaway opened in 1959, and the seaway authority has in some years managed to keep the system open until early January to clear backlogs.

But says Mr O'Neill: Our experience is that from mid-December on, it becomes difficult to guarantee that ships can make the trip and get out again."

Miti may impose export controls on machine tools

BY CARLA RAPOPORT IN TOKYO

JAPAN'S Ministry for International Trade and Industry (MITI) is considering imposing export controls on the country's machine tool industry if its sales to Europe and the US this year continue to grow at high levels.

MITI has asked the Japan Machine Tool Association for figures on sales to Europe and the US, by both quantity and value, on a monthly and quarterly basis.

It stressed yesterday that a final decision would not be made until all the data had been reviewed.

The prospect of export controls has been greeted with dismay by the machine tool in-

dustry. Although no company nor the industry association was willing to comment yesterday, manufacturers have previously insisted that they have been merely satisfying the demand for their products in the US and Europe.

Exports of machine tools from Japan grew rapidly last year. In the first 11 months sales to Europe rose nearly 30 per cent to ¥360bn (£1.24bn). Sales to Europe were up by nearly 60 per cent by value to more than ¥80bn.

MITI's moves may prompt some leading machine tool exporters to curb exports voluntarily to head off export controls.

Canadian banks offered share of export financing

BY BERNARD SIMON IN TORONTO

THE Canadian Government has offered the country's commercial banks a small part of the official export financing business now monopolised by the state-owned Export Development Corporation (EDC).

The proposal would allow the banks to handle financing of capital goods with a maximum of five years. About 5 per cent of the EDC's direct financing business, totalling C\$1bn (£487m) a year, falls within this period.

Banks asked the Government last year to channel all its subsidised financing through them, leaving the EDC to concentrate on its credit insurance and guarantee business. Unlike most other industrial countries,

Canada channels all official export financing through a government agency.

The Canadian Imperial Bank of Commerce said that "none of the banks are entirely happy" with the proposal.

None the less, the authorities have left the door open for further discussions. Among details to be clarified are the funding of interest rate subsidies to enable banks to compete with the EDC.

The banks' proposals were strongly opposed by the EDC, which has moved to meet their objections to its operations by strengthening its regional offices and designing several programmes aimed primarily at medium and small exporters.

British Telecom in Indian tie-up

BY JOHN ELLIOTT IN BOMBAY

BRITISH TELECOM has linked up with Mahindra and Mahindra, a major Bombay-based automotive and engineering group, to bid for contracts in India in vying the development and operation of telecommunications networks.

A memorandum of understanding was signed in Bombay yesterday by Mr John King, managing director of British Telecom's new overseas division, and Mr Keshub Mahindra, chairman of the Mahindra group which has an annual turnover of about Rs 7bn (\$11bn).

This is the first of a series of link-ups planned in different countries by British Telecom to market its expertise abroad.

It is intended to lead to technical and equity collaborations in several areas of India's rapidly expanding telecommunications systems which the government wants to be substantially funded by the private sector through equity stakes and stock bonds.

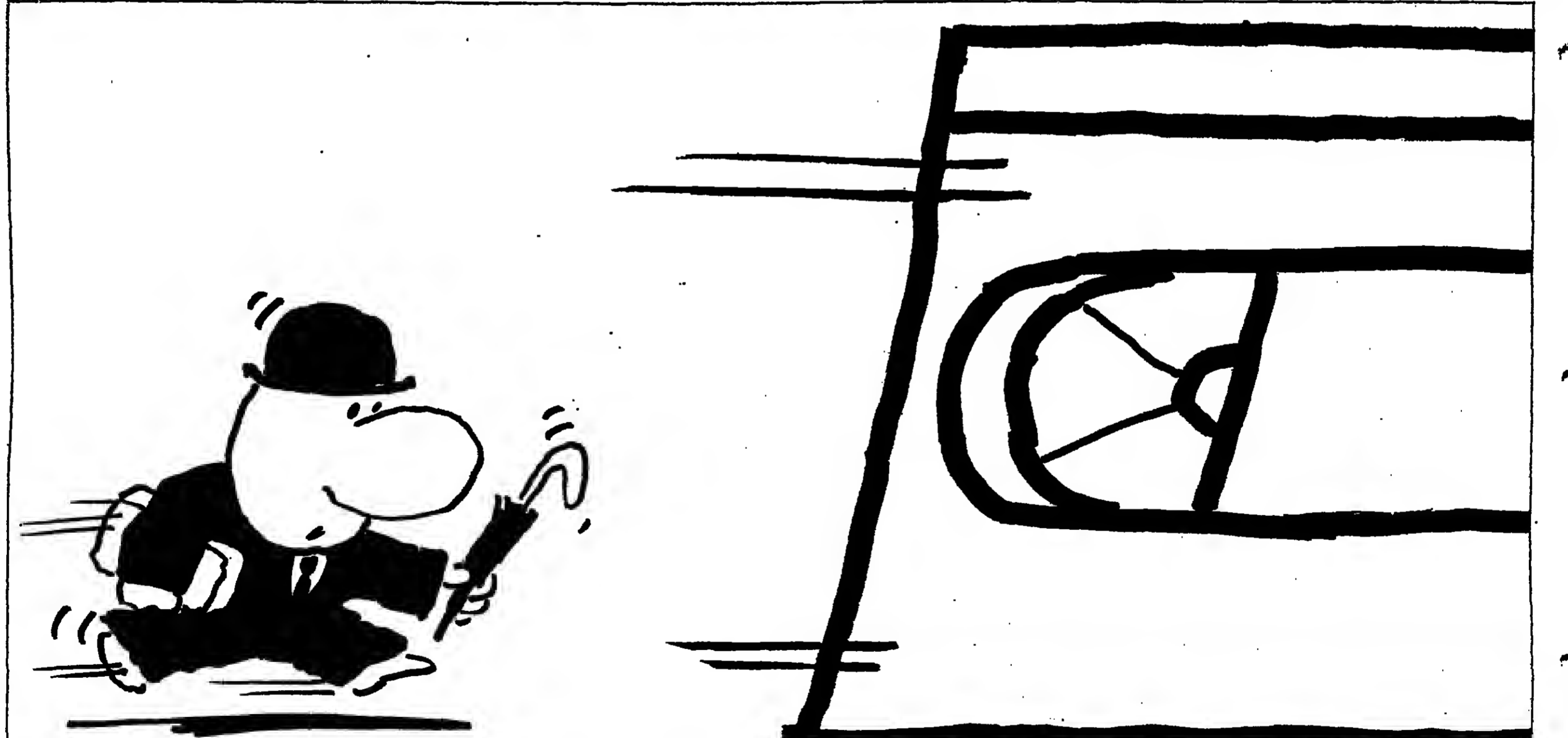
The two companies have held talks with Indian Government departments and agencies covering areas such as defence, railways, telecommunications, satellites and banking about selling consultancy and operating services for proposed telecom systems.

No bids have yet been submitted for specific projects, partly because the Indian Government has not yet decided

how far to let the Indian private sector and foreign companies into this previously public sector area.

The companies would like to become involved in modernising and operating telephone systems in Bombay and Delhi which are to be run by separate corporations lifted off from the main nationwide telecommunications department.

They have considered offering services to India's C-Dot programme for developing a digital switching system, in which GEC of the UK is also interested. They have also looked into India's plans for optical fibre systems where STC of the UK is trying to establish a manufacturing collaboration.



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Scottish Development Agency

CATCH UP ON SCOTLAND

TECHNOLOGY

Valve controls the steel flow . . . and points the way ahead

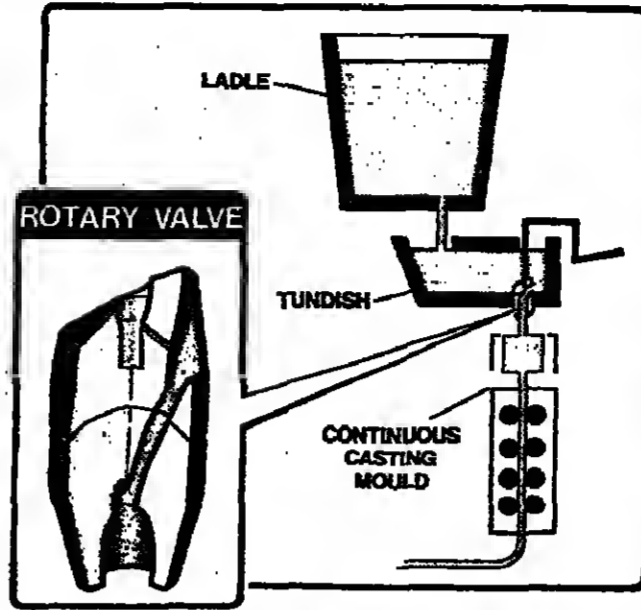
THE continuous casting process, the single most important advance in steelmaking technology in 20 years, may soon be economically applicable to the production of almost every grade of steel as a result of a new system for controlling flows of molten metal which has been developed by British Steel.

Ian Rodger on a British Steel development which could cut the industry's costs worldwide

Control is important because if the molten metal flows too quickly, it may run out through the other end of the mould before hardening into the desired shape of billet, bloom or slab. If it does not flow quickly enough, it could harden prematurely and block the mould.

Control is important because if the molten metal flows too quickly, it may run out through the other end of the mould before hardening into the desired shape of billet, bloom or slab. If it does not flow quickly enough, it could harden prematurely and block the mould.

Both these systems suffer from rapid wear and a tendency to admit contaminating air into the steel flow. Also, since they are in contact with the outside environment, there is a risk that residual metal will cool and set in them.



that the flow can be finely controlled. The stem is rotated by an actuator gear which rises above the molten steel from the side of the tundish.

machine at Teesside, has used them for 13 hours. Even then, casting was stopped only because there was no metal left to pour.

Teesside is now sufficiently confident about the valve that it has transferred production of the steel used for making the trackshoes for bulldozers to the bloom caster. It is also getting ready to test it on its slab casting machine.

BSC is seeking patents for its valve and has licensed Thor Ceramics of Clydebank, which has been involved in the development to market it worldwide. Mr Alan Thornton, commercial manager of Thor, said the potential was considerable.

He said the rotary valve system for bloom and billet casters would probably cost between £5,000 and £7,000 a strand to install, twice the cost of stopper rod systems but less than half that of sliding gate systems.

Similarly, the consumable rotary valves might sell for about £150, twice the price of rods.

Further information: Thor Ceramics, P.O. Box 3, Stanford St, Clydebank G81 1RW, Dunbartonshire, Scotland. Tel. 041 952 1900.

IMI logo and text: IMI for building products, heat exchange, drinks dispense, fluid power, special-purpose valves, general engineering, refined and wrought metals.

Mapping a test centre

THE National Computing Centre in Manchester and University of Leeds Industrial Services are jointly trying to define the requirements for setting up a MAP test and conformance centre in the UK.

Map, or manufacturing automation protocol, is a user-driven initiative led by General Motors. It is an attempt to implement the data communications standards emerging from the International Standards Organisation in Geneva.

The idea is to get robots, machine tool controllers, programmed logic controllers and other shop floor systems, regardless of manufacturer, to interwork comprehensively.

To ensure conformance between emerging Map products a suitable test centre will be needed in the UK. Under a £25,000 contract placed by the Department of Trade and Industry, NCC and the Leeds group aim to find out what is required.

Such a centre is important, because proof of conformance will increase the market's confidence and investment in modern manufacturing techniques.

Bid to prevent gas explosions

COMPANIES in the mining, chemicals and medical equipment industries may benefit from work to reduce the risk of gas explosions sparked by electrical hardware.

Engineers at the Production Engineering Research Association in Melton Mowbray, Leicestershire, have produced control systems to monitor electric power and operating temperatures to keep them within safe levels.

A weapon that fires bursts of electrons at close to the speed of light

HIGH ON a barren, make-infested hillside, in the New Mexico desert, US scientists are experimenting with what could become a new kind of gun firing bursts of electrons, or electricity, close to the speed of light, 100,000 times faster than any missile.

David Fishlock on an experiment in the New Mexico desert

They are investigating the physics of what they claim to be the most powerful electron accelerator in the US. The kind of weapon they believe might emerge is short-range but fast enough to kill a missile which has slipped through an aircraft or vessel's other defences.

These are joint experiments of the US Air Force Weapons Research Laboratory at Kirkland Air Force Base, Albuquerque, and the nearby Sandia National Laboratories, one of the Star Wars research centres. Their accelerator is seven miles south, into the mountains, at the US Air Force's directed energy experimental range.

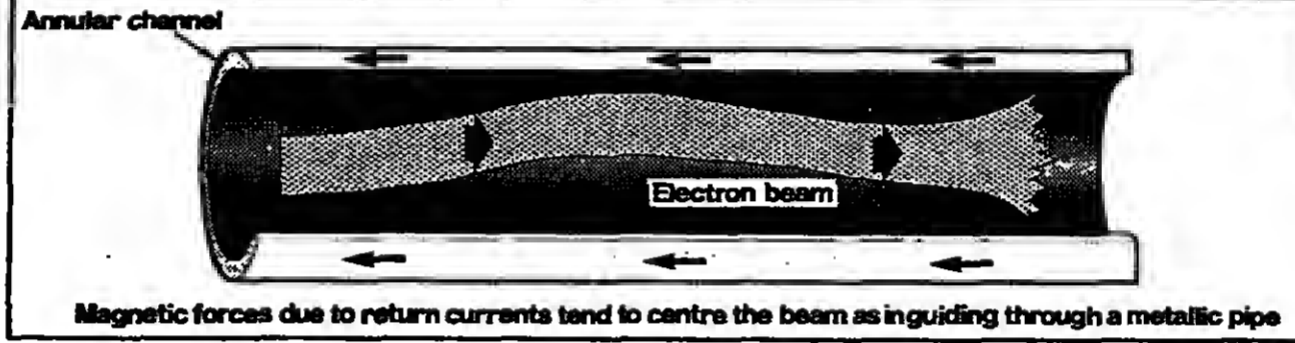
The electron accelerator is called Radlac 2, the second generation of a concept conceived seven years ago after Soviet scientists had published

an idea which drew on technology under development at Sandia. The Soviet paper showed how bursts of electrons could be accelerated to very high speeds in a short distance by lining up microwave diodes like a gun barrel. It acknowledged that the diodes they used were of the kind designed by Dr Gerold Yonas at Sandia, who was using a ring of them to focus many electron bursts simultaneously on a speck of nuclear fuel.

It did not take the US scientists long to work out why the Russians might want to line up the diodes like a gun.

The first Soviet experiment, LUL-10, generated bursts of electrons of 13,000 amp. The first US experiment, Radlac 1, 1981, the Russians claimed they had successfully propagated an electron beam through the atmosphere.

Electron beam is guided by magnetic repulsion from currents in surrounding electron-bored channel



bursts of 50,000 amp. Dr Bruce Miller, who as an Air Force physicist specialising in beam physics helped launch the Radlac project, recalls that many of his colleagues at both laboratories were confident that it would not work. Then in 1981, the Russians claimed they had successfully propagated an electron beam through the atmosphere.

Using Radlac 2, Dr Miller, now manager of the directed energy research department at Sandia, has successfully fired an electron beam for 15 metres to demonstrate a new way of stabilising the beam.

One of the main goals of Radlac 2, Dr Miller says, is to show that a high-powered electron beam can be extracted efficiently from the accelerator and propagated through air for an appreciable distance.

"What we've always known is that if we could deliver these very powerful beams to a militarily significant target, we could probably destroy the target." The evidence lies in the damage done by the beam of Radlac 2 to such targets as a 0.5-inch thick aluminium disc neatly pierced by a single burst.

Radlac 2 is fitted with an ion transport tube at the end of the accelerator. The tube, shown in the diagram, is filled with argon gas at low pressure. A small electron gun is synchronised with the accelerator to bore a channel through the gas in time to receive the electron pulse.

The burst of electrons from the accelerator then sees a positively-charged tunnel, which draws the negatively-charged electrons. Magnetic forces induced by the fast-moving electrons hold them as if they were flowing through a wire. The result is analogous to a gun barrel.

Electrons leave the transport tube through a foil window to enter the atmosphere as a fine shaft.

The energy unleashed by Radlac 2 is enough to persuade the scientists to evacuate the facility each time it is fired. It goes off with a resounding crack, which echoes round the mountains. Its bolts of electricity are deposited in the target so fast that the target vaporises explosively.



THE NOKE - ST. ALBANS

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NG UP

UK NEWS

Labour plans tougher code on takeovers

BY PETER RIDDELL, POLITICAL EDITOR

SEVERAL of the big takeover bids in the recent wave would have faced much tougher public scrutiny under proposals from the Labour parliamentary leadership, due to be outlined later today.

This follows a reaffirmation yesterday of the Government's competition policy from Mr Leon Brittan, the Trade and Industry Secretary. The key new Labour proposal is that the onus of proof that a merger is not against the public interest should shift to the bidder away from the Monopolies and Mergers Commission (MMC), as at present, in certain cases.



Mr Leon Brittan is expected to announce a new code for modifying policy

There would be continued monitoring of the results of mergers involving, if necessary, a requirement for prior notification of price increases. This approach is not yet official party policy, but it is expected to be presented as the current thinking of the parliamentary leadership during a Labour-initiated debate this evening in the House of Lords by Lord (Charles) Williams, the former chairman of the Price Commission.

Bryan Gould, Labour's trade spokesman, from Mr Brittan, in which he says that the Government's competition policy continues to stand the test of experience in the light of the so-called mergers boom.

Mr Brittan says that nothing that has happened in recent months has caused him to change his mind. He says the policy is quite clear that references to the MMC will be made primarily (but not exclusively) on competition grounds, in view of a belief that market forces and competition are the most efficient means of allocating resources.

He admits that other factors, apart from competition, can be grounds for reference, citing the Bids bid. But, he stresses: "Each case must be examined on its merits in the light of the specific circumstances. Any attempt to impose rigid general rules would quickly fall foul of a special case which the rules did not fit. The flexibility of our policy is one of its greatest strengths."

Mr Brittan says, therefore, that he sees no reason to modify the policy on references and does not believe the current merger activity requires merger policy to be revised in isolation from the more general view of competition policy, which will start this year. Similarly, he does not think the recent mergers alter radically the issues which the review will need to consider.

Channel link seen as boost to property

By Fiona Thompson

ESTATE agents in Kent, south-east England, were divided yesterday on the potential impact of a Channel rail tunnel on prices of commercial and residential properties in the region.

Mr John Bishop, head of the estate agents Gearing & Colyer, with 22 offices in Kent and Sussex, said this week's Anglo-French decision to build the tunnel signalled an unambiguous rise in prices for offices, factories, warehouses and retail premises. However, he would have preferred the projected 10 per cent growth figure estimated for 1986.

Mr James Warner, a partner with Ward & Partners, estate agents with 25 offices in the Kent area, was less optimistic.

It was arguable whether there would be a vast increase in the price of commercial properties, he said. As for residential properties, he thought that the tunnel decision would have "any dramatic effect" on house prices.

The plan by Channel Tunnel Group-France Manille for a twin-bore rail tunnel to be built at Cheriton, near Folkestone. Fears have been expressed that it will depress house prices in Cheriton.

Print unions vote for industrial action at Murdoch newspapers

BY HELEN HAGUE, LABOUR STAFF

THE PRINT unions Sogat 73 and the National Graphical Association (NGA) last night announced large majorities in favour of taking industrial action at Mr Rupert Murdoch's News International after a ballot of their members at the group's four UK titles.

These are The Times, The Sunday Times, the mass circulation Sunday newspaper the News of the World, and the Sun, the best-selling daily tabloid in Britain.

Sogat members voted 3,594 to 792 in favour of industrial action including strikes and NGA members 443 to 117.

Ms Brenda Dean, general secretary of Sogat, said after announcing her union's result: "We will be meeting a meeting with the company to give them a last opportunity to resolve this through negotiation. If they don't, then I believe we will see industrial action probably before the end of the week."

The conflict with News International has US roots in the commissioning of the company's new printing plant at Wapping in London's Docklands. Last weekend saw the production of a 24-page Sunday Times supplement produced by members of the electricians' union EETPU and non-union labour.

Mr Tony Dubbins, general secretary of the NGA, said there was no question of industrial action among his members being unlawful.

He said: "A claim for employment guarantees, the introduction of wages and conditions issues between ourselves and News International that comes within the current legislation."

Today the print unions are expected to complain formally to the Trades Union Congress (TUC) over the conflict of the EETPU in allowing its members to produce the supplement and in not joining the NGA, Sogat, the National Union of Journalists (NUJ) and the eng-

neering union, AUEW, in a common approach for recognition at the Wapping plant.

The EETPU is to hold talks with News International on a possible deal at the end of the month.

Mr Dubbins said he hoped the electricians would heed the advice of the TUC and recognise that their current course of action was going to jeopardise the continued employment of 8,000 people with the company.

He said: "The reality of the current situation is that the print unions will do everything they can to negotiate a settlement." He believed that consulting members through a secret ballot indicated the seriousness of the union's stance.

"We are not looking for a dispute - but neither will we shrink away from a dispute if we have to do so to defend our members' employment," said Mr Dubbins.

Both unions hope their large mandates for strike action will cause the company to reopen talks.

Car output in 1985 highest for six years

UK CAR production last year reached 1.04m units, the highest level since 1979. Commercial vehicle output also recovered strongly from the low level of 1984 to 283,890, Kenneth Gooding writes.

Few forecasts expected car production to top 1m in 1985 but it was boosted by record UK sales and a better export performance - particularly by Austin Rover, the BL subsidiary whose sales outside the UK rose by 15 per cent from the 1984 level to 194,000 last year.

The industry also began to rebuild stock levels towards the end of last year, reflecting its confidence that car sales will remain near or above last year's record 1.83m. These factors combined to put car output last year 15 per cent above the 900,000 for 1984.

THIRTY-TWO Tory MPs voted against the Government in the House of Commons in protest against the high level of rate local (property tax) increases which rural authorities are likely to have to impose in the coming financial year.

The rate support grant proposed by the Government for English authorities in 1986/87 was opposed by a majority of 71 - about half the Government's actual level of support - over other parties in the House of Commons.

JEVES HYGIENE, one of three health and hygiene companies sold in December by the City of London Corporation to British American Tobacco, was acquired by a majority of 71 - about half the Government's actual level of support - over other parties in the House of Commons.

Mr Bryan Long, managing director designate of the company, forecast that if overheads could also be reduced pre-tax profits of Jeves Hygiene could rise from £1.33m at the end of 1985 to £2.3m in the next five years.

SIR JAMES Gleason, president of the Confederation of British Industry, is to become Chairman of the British Overseas Trade Board, the government-sponsored export promotion agency, when his term of office expires in May.

The new president of the CBI is expected to be Mr David Nickson, Sir James's deputy, who is chairman of Scottish and Newcastle Breweries.

Stockbrokers agree mergers

BY JOHN MOORE, CITY CORRESPONDENT

FIVE STOCKBROKING firms are to merge in the most extensive realignment of securities firms based outside London. In the deal, James Capel, one of London's largest stockbrokers, which the Hongkong and Shanghai Banking Group has agreed to acquire, will take a 20 per cent shareholding in the merged securities group.

The latest deal follows the acquisition of a 20 per cent stake by James Capel in Parsons & Co, the Glasgow-based stockbroker, last July. Capel took its stake in Parsons as part of a joint venture with Postel Investment Management, Postel, which controls the investments of the Post Office and British Tele-

com pension schemes, took a 20 per cent stake in Parsons.

In the new move Parsons is to merge with Hingworth Henriques of Manchester, Laws & Co of Bristol, Murray & Co of Birmingham and Stancliffe Todd & Hodgson of Middlesbrough.

The five brokers are to become wholly owned subsidiaries of a newly-formed holding company, Allied Provincial Securities, which will be a non-operating external member of the stock exchange.

After the merger Capel and Postel will hold 20 per cent each in Allied Provincial Securities. The remainder of the equity will be held by the partners of the five firms. No

details have been disclosed about how much capital is to be injected into Allied Provincial Securities or the cost of the Capel-Henriques investment.

It is intended that Allied Provincial Securities will deal primarily with private clients through a regional network of 17 offices. After the merger, Allied Provincial Securities will be advising private clients with funds in excess of £10m.

As part of the plan it is intended that the new group will expand the financial services of the individual brokers to include tax planning, pension arrangements, and other insurance-based financial products.

Rail workshops to split into business groups

BY ANDREW FISHER AND DAVID BRINDLE

BRITISH RAIL Engineering (Brel), which has cut jobs and especially sharply as UK repair work has fallen, is to split into two separate business groups, the biggest of which will compete in the open market for home and foreign orders.

The change will involve substantial further job losses, but Brel declined to say how many. It employs 22,300 people compared with about 24,800 six years ago. The use of barbed wire and steel in Britain has decreased the volume of maintenance work.

Brel said yesterday that it hoped to win business from Channel Tunnel Group (CTG), which is to build a rail and road shuttle link between England and France. CTG will spend £250m at 1985 prices on rolling stock and locomotives. British Rail, Brel's parent, also plans new investment.

A highly critical report by an independent inquiry into the consequences of the closure of the railway workshops at Swindon, which is published today. The inquiry was set up by the Diocese of Bristol with the help of the Industrial Society.

The main Brel division, being prepared for privatisation, employs 12,500 people. It will concentrate on the building of new products for UK and overseas customers, as well as doing heavy overhauls and component repairs for BR.

It will comprise Brel's works at Cowes, Derby (Lidhurst Lane), Derby Locomotive, York, and Horwich Locomotive (near Manchester). Brel said the division will operate on a full commercial basis, competing in the private sector.

The other four works at Woburn (Bedfordshire), Drayton, South Yorkshire, Eastleigh, near Southampton, and Glasgow, will deal with the maintenance and light repair of BR rolling stock. Repair work has diminished with the use of more modern materials such as plastics by BR.

Investors put record £2.5bn into unit trusts

By Eric Short

UNIT TRUSTS attracted a record £2.5bn from investors last year, almost double the investment in the previous year, according to figures released yesterday by the Unit Trust Association (UTA).

Total sales of unit trusts in 1985 amounted to £4.5bn, compared with £2.9bn in 1984. Repurchases of units rose to £1.85bn against £1.48bn, leaving net new investment in unit trusts at £2.54bn, compared with £1.44bn in 1984. Monthly investment figures were consistently reaching new peaks only to be exceeded in successive months.

Strong stock markets in the UK and the rest of the world undoubtedly helped to boost sales and resulted in the value of funds under management reaching a third £2.5bn at the end of 1985, compared with £1.1bn a year earlier.

A more dominant feature in last year's success, however, was the number of new unit trusts which were launched during the year.

"I don't go out looking for free things. But, OK, it's nice when they come along."

"Airlines that try to attract passengers with a lot of free frills do not appeal to me. If you can afford an airline ticket, you can afford to pay for wine with your meal.

"What you are really paying for is a nice, quiet flight so that you arrive well rested.

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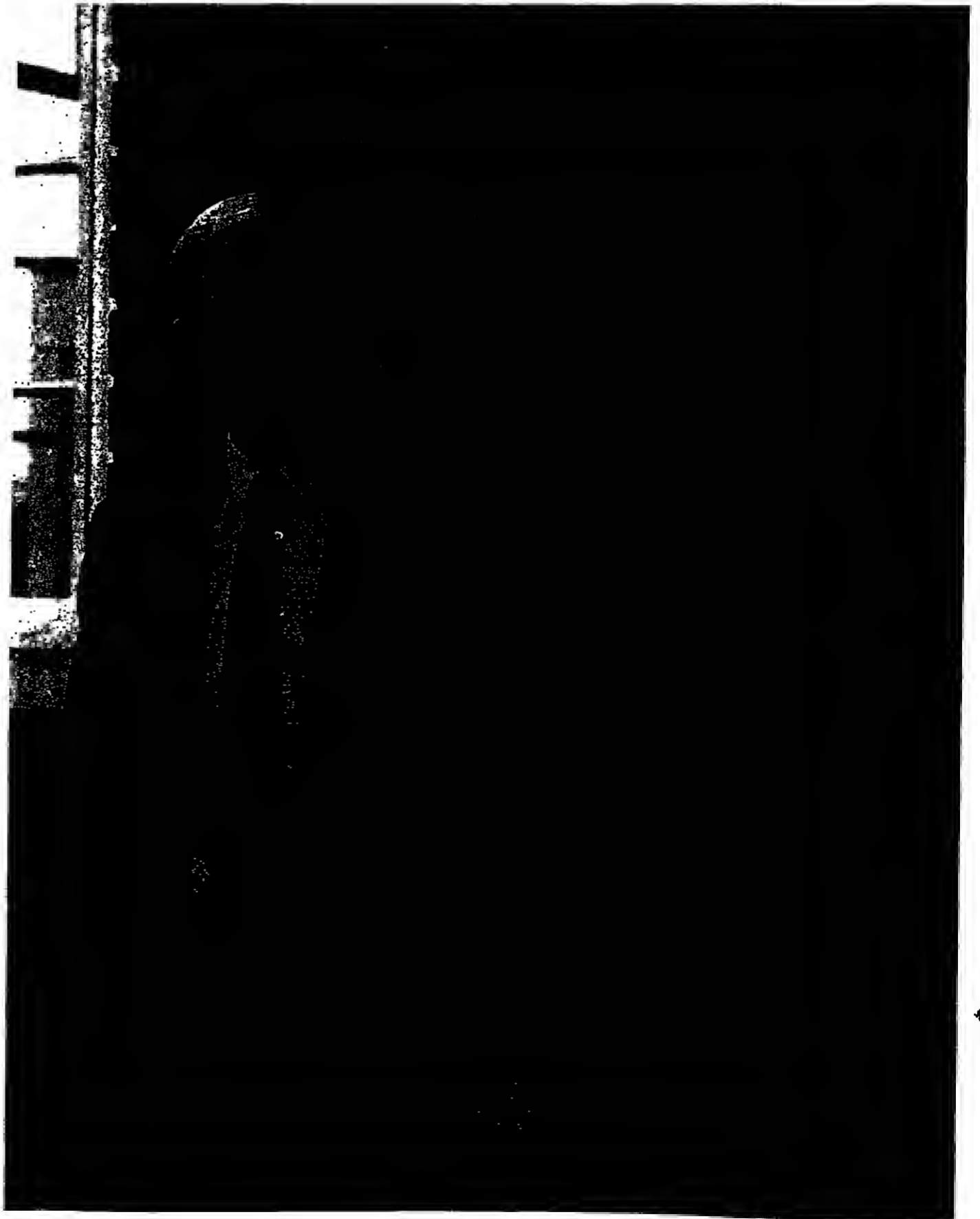
"And even though I'm not attracted by free this and that, the complimentary wine adds a nice touch."

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highest in
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In 1985 it was products like the ones shown here that enabled Sandvik to make a 20% return on equity.

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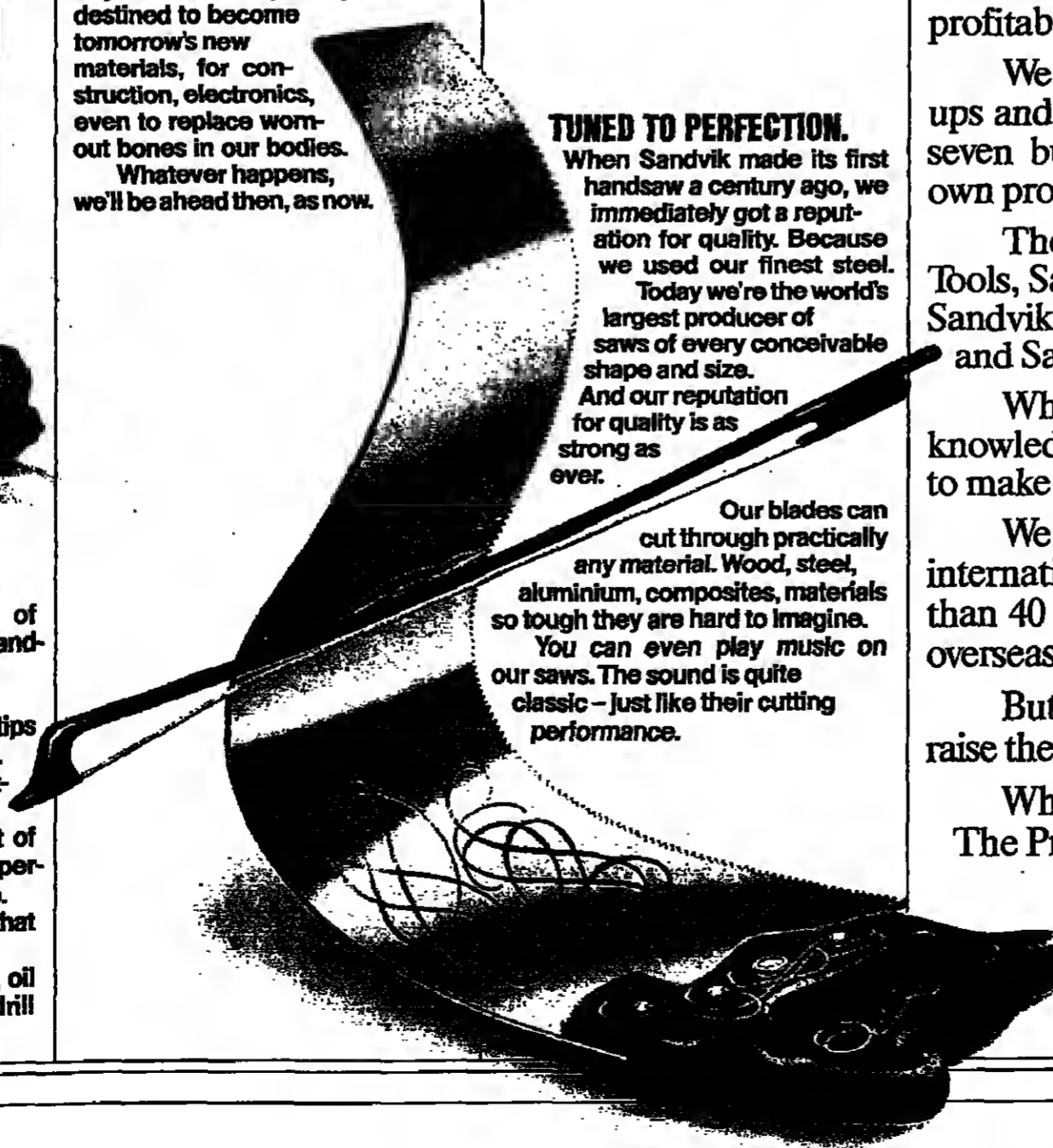
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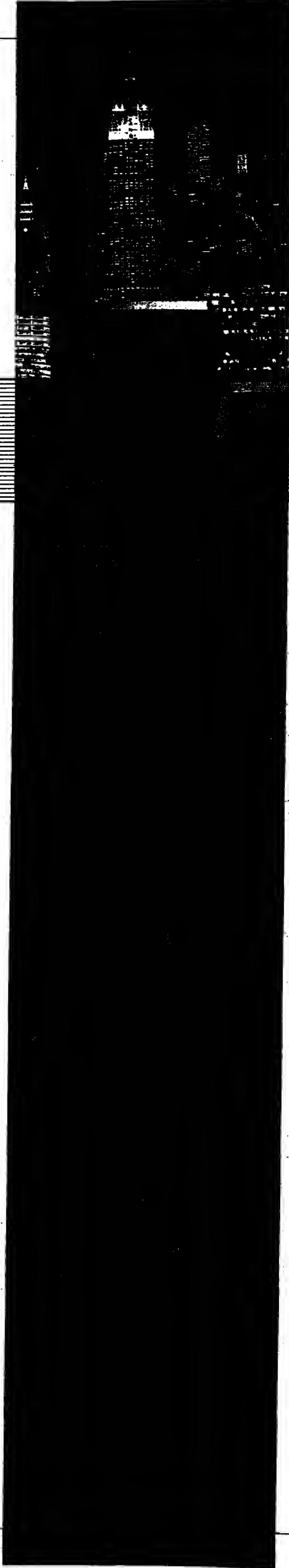
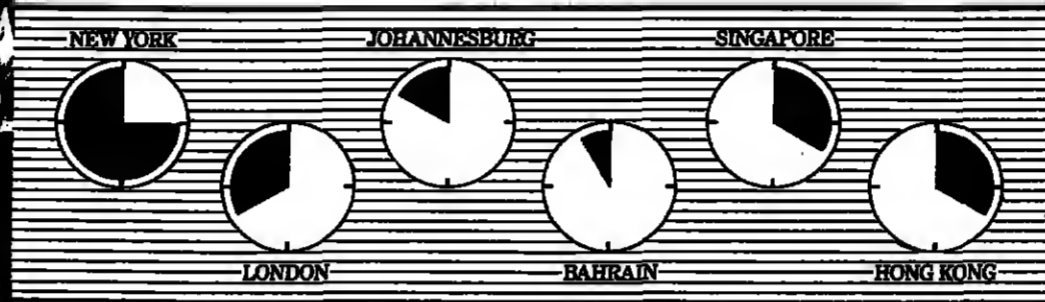
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UK NEWS

Unionists warm to fire and brimstone politics

BY MARGARET VAN HATTEN



Mr Paisley, relishing oratory and rapturous ovations

THE RALLY at Omagh in County Tyrone, Northern Ireland, opens, like most of the Rev William McCrea's political meetings, with a prayer. And what a prayer.

Mr McCrea belongs to both the Rev Ian Paisley's Free Presbyterian Church and his Democratic Unionist Party (DUP). He is one of the 15 Unionists who are tomorrow speaking re-election to Westminster on a platform of outright opposition to the Anglo-Irish agreement.

The plea from the pulpit is red-blooded stuff, denouncing the "hall-dwelling sinners" and the "anti-biblical tendencies of our ancient enemy, the Church of Rome." It calls on the Lord to do his stuff to uphold "the Protestant truth," the "great heritage of civil and religious liberty" which thrives in mid-Ulster, and demands that He "bless the candidates and give them a resounding vote against this iniquitous agreement."

Mr James Molyneux, the mild-mannered leader of the Official Unionists (OUP), who has been given a place on the platform to demonstrate the unity between his party and Mr Paisley's DUP, finds this warm-up act by an unknown preacher in the audience hard to follow.

A gentle, self-deprecating joke is definitely a false start, but the audience starts to perk up when he declares resoundingly: "Man can be reconciled to God. Man cannot be reconciled to man." He gets his standing ovation.

Mr McCrea is next. He receives a rapturous reception from an Orange Hall audience rising, almost as one, to its feet.

I am the sole exception, still scribbling furiously and displaying the same impartiality as I do during Mrs Margaret Thatcher's standing ovations or Mr Neil Kinnock's rarer ones.

In England I am likely to remain unnoticed or, at most, collect a few frosty looks. But this is Northern Ireland.

A man strides over from across the aisle: "May I ask you why you're not on your feet? I show him my press card - "I'm press," but he is not moved: "May I ask you to leave" I reply: "You may ask, but I'm not leaving."

Meanwhile Mr McCrea is getting into his stride. "One Protestant is worth 10 Republicans any day," he cries. "Thank God we have faith, the faith that has seen us through in the past. Thank God we have determination, determination that the Englishman knows nothing about."

He begins a sort of chant about "18 years of murder, 18 years of sorrow, 18 years of butchery by a bloodthirsty Republican enemy." He reminds his avid listeners of "the joy in people's hearts after the fall of the power-sharing executive" (set up by the 1973 Sunningdale agreement, brought down by the 1974 loyalist workers' strike).

"We gave in too soon," he cries. "We could have had Stormont (Ulster Parliament) back and it can

Mr Paisley moves on to more serious stuff. This treacherous agreement between the British and Irish governments, he says, this "document of destruction" which "destroys all the things our forefathers have fought and died for is not the law of the land."

"The Queen, God bless her, has not signed it and we do not have to obey it whether Maggie Thatcher likes it or not. It's only a resolution of Parliament - it's not the law."

A vote for a Unionist candidate is not a vote for a political faction, he says. "It's a vote for your country, for your heritage. If we are sold into slavery, we will have lost our heritage for ever."

Again there is a rapturous standing ovation. Again I am jostled and ordered to stand or to leave, both by the monstrosities man across the aisle and by a tall youth in the row in front. "Ya press," I say. This is obviously irrelevant.

Now Mr McCrea is coming forward again with his accordion. He is a popular gospel singer with a fine Country-and-Western voice and suddenly everyone is seated again as he plays a few chords and launches into the Orangemen's song The Sash My Father Wore. They all join in, stamping their feet and clapping in time.

Then it's "There'll Always be an Ulster" sung like a slow hymn, to the tune of "There'll Always be an England, just the last four lines. It is becoming the anthem of McCrea's campaign. Everyone stands solemnly, except me.

Suddenly there is a terrific jolt, a sound of splintering wood and I find myself a few feet away on the floor. There is a murmur of approval and someone behind me growls: "On your feet," and directs a few well-aimed kicks where they are likely to be most effective. I cross my legs and sit tight on the floor while the speakers on the platform sing on imperterbably "... as Ulster means to me."

Next it is to be the national anthem. I remain where I am, wondering how on earth I am to get out of this, when Mr Paisley comes to my rescue. "I see a woman who will not stand for the national anthem," he bellows. "Will you kindly leave the meeting."

Drawing myself up to my full five feet, I sweep out of the hall as Mr Paisley glares at me from the platform and the audience boos, hisses and jeers. "I had noticed there was a Fenian in our midst," Mr McCrea cries.

The doors of the hall close behind me, muffling the opening bars of the national anthem.

As I have often had occasion to speak to Mr Paisley and Mr Molyneux in the Members' Lobby at Westminster, I know them to be prudent, discreet men and am grateful for their prudent, discreet rescue. All the same, I will take no more chances. Can someone please send me the words of The Sash My Father Wore?

Boycott by Ulster MPs hinted

FINANCIAL TIMES REPORTERS

ULSTER Unionist leaders hinted yesterday that their MPs might withdraw from Parliament if the Government refused to heed opposition to the agreement, then there would be "no place for self-respecting MPs at Westminster."

Mr Molyneux said that no legitimate form of protest could be ruled out.

A letter calling on Ulster people to consider the benefits of the agreement was published yesterday as an advertisement in the Belfast newspapers by Northern Consensus, a moderate pressure group. More than 400 people in

strategy after the by-elections.

When asked, however, if they might adopt an abstentionist policy, Mr Paisley said that if the Government refused to heed opposition to the agreement, then there would be "no place for self-respecting MPs at Westminster."

Mr Molyneux said that no legitimate form of protest could be ruled out.

A letter calling on Ulster people to consider the benefits of the agreement was published yesterday as an advertisement in the Belfast newspapers by Northern Consensus, a moderate pressure group. More than 400 people in

industry, the churches, education and medicine put their names to the letter.

The letter reflects concern among many moderates about where the "Ulster says No" campaign against the agreement will lead. There is almost universal acceptance in the province that the Protestant community will give strong support to the Unionists in tomorrow's elections.

A recent opinion poll carried out in the province for the BBC showed 83 per cent of Official Unionist supporters and 83 per cent of Democratic Unionist supporters against the agreement.

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bedrooms and suites, all discreetly air-conditioned. But there's another jewel in the Grosvenor House crown that you'll notice as soon as you encounter our individual style of service. One of our many long-standing clients summed it up beautifully. "It's a sense of occasion."

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to find
olite

Wanted.

Outspoken 21 year-olds ready to tell British Industry where to go.

The Confederation of British Industry (CBI) is looking for twenty-one 21 year-olds with a strong point of view on how to put the UK back on track to the top.

As part of Industry Year and to mark its own 21st anniversary in 1986, the CBI is running a competition with prizes totalling more than £15,000.

In its first 21 years, the CBI has been dedicated to creating a climate of opinion in which companies can operate efficiently and profitably for the benefit of all.

Industry Year is also aimed at encouraging a better understanding of industry's role in providing the goods and services people need and want, and creating the wealth on which all else — health, education, pensions and social care for example — depends.

But words are not enough. That's why the Government, the TUC, the CBI and many other bodies are joining forces for the Year, which will be successful only if it produces actions and deeds.

And much needs to be done.

The UK is an industrial country with an anti-industrial culture. Too many people regard trade as a dirty word. For the first time since the Industrial Revolution we have ceased to be a net exporter of manufactured goods and have become a net importer. We lead the world in many new areas of research. But we're not so hot at making or marketing our ideas.

Yet we have not lost our powers of invention. Just one college in Cambridge has produced more Nobel prize winners in science than the entire nation of Japan. But we do not always follow through effectively. Moreover, the symptoms of class warfare, snobbery in education, even fear of risk, conspire to undermine this natural inventiveness.

Attitudes ARE changing at places like universities but are

they changing fast enough? Our best companies ARE the best in the world — it is our average performance we need to improve.

So, there's the problem. How would you solve it? If you will be 21 during 1986, start by telling British industry where to go in not more than 1,000 words.

A panel of judges, all distinguished CBI members, will be looking for viable, well-rounded arguments, but remember, it is a plan of action not a thesis that is needed.

The entries will be judged initially on a regional basis with 21 prizes of £500 to be won. The 21 finalists will then spend time with one of the major companies — all members of the CBI — sponsoring this initiative. After this, they will prepare a more detailed paper developing their ideas which could receive national publication.

The overall winner will receive a prize of £5,000 which could be used to get experience abroad or help develop his or her own business.

A detailed leaflet/entry form — "Tell British Industry Where To Go" — is available over the counter at branches of Lloyds Bank and TSB Scotland, from any CBI regional office or by writing to the CBI at the address below, enclosing an S.A.E.

British Industry is determined that the next generation of management and skills should see the UK creating a better quality of life for all. To do that, it needs a fairer share of the nation's talent — people who will be leading the UK in the 21st century.

If you're 21 during Industry Year, entering this competition will help in this aim. More importantly, you will be taking a hand in your own future.

Whether you want to grow up in a vibrant, expanding country or be a curator in the world's largest industrial museum is very largely up to you.

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Ps hint



THE ARTS

Television/Christopher Dunkley

Moving pictures speak much more than volumes

This article will ignore Michael Heseltine, Westland Helicopters and Leon Brittan, not because television failed to mention them in the past week (hardly) but because there are more interesting matters to discuss. Every few years somebody in America writes a book offering an apocalyptic view of television. In 1930 it was Jerry Mander and the book, which was nearly as silly as the author's name, was called Four Arguments For The Elimination Of Television.



Sharon Parker and Shirley Parker in "The Silent Twins"

This time the author is Neil Postman, the book is called "Amusing Ourselves To Death" and it is a far more intelligent and interesting work. Yet in the end, for all its illuminating references to Aldous Huxley and Marshall McLuhan, and despite the author's desire to avoid "the possibility that my analysis will be interpreted as standard-brand academic whimpering, a kind of elitist complaint against 'junk' on television" it does seem to be making the same old complaint: television isn't literature, nor prior of any sort—in the American language used by Postman, it is not "typographic culture." Consequently it is inferior.

Nor is it just a little inferior, but catastrophically so. We are witnessing a "descent into a vast triviality" and "the content of much of our public discourse has become dangerous nonsense." Time was, says Postman, when "even in the columns of the newspaper giants—the Herald Tribune, the Times—prose thrived with a vibrancy and intensity that delighted ear and eye."

Manufacturing haste, and the longer I watched the more I wished I was reading his text for myself. Poorly served by a programme which froze him in medium close-up throughout, Godley exacerbated matters by narrowing his eyes, lowering his eyebrows to peer at the audience, and then leaning forward threateningly as though about to climb down the lens into my sitting room. Any normal viewer's concentration on the words would have been distracted by the pictures.

It is true, obviously, that a television programme is not a book. But nor is a book a television programme. If we move to Saturday and the Arena special on BBC2, Tango Mio, we find a piece of work conveying what no book could hope to convey. There was much wrong with this 90-minute programme: it would have been strengthened by a reduction of anything up to two-thirds and by the insertion of a few sequences not tainted by irritatingly studied melancholia. But despite its shortcomings—or loogeomings—its combination of music, interview and dance communicated far more about the significance of the tango in urban Argentina than any printed document could.

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crossing and uncrossing their legs in unison "like Tiller during an attempted television session, spoke volumes." Similarly in Channel 4's Chasing A Rainbow, a profile of the black Follies Bergere star Josephine Baker, we find a combination of materials (archive film, still photographs, posters and other printed ephemera) and of techniques (voice-over, original sound recordings, interviews to camera) woven with great expertise into an item which not only conveyed to the onlooker a more rounded understanding of its subject than any book ever could, but included certain phenomena which are simply outside the scope of print: the timbre of Baker's voice, her stage sense and command of rhythm, and the quality of affection among those who knew her.

It would be interesting to have Postman watch this programme and then try to sustain his argument about television's inherent inferiority. And if he dismissed Chasing A Rainbow with his claim about television reducing all subjects to entertainment, then perhaps he could be shown another work by the same programme maker, Christopher Balling: The Voyage Of Charles Darwin. That six-part series probably covered a greater understanding of Darwinian theory to a larger number of people than all the printed matter on the subject has ever achieved.

From the moment Antioette Sibley stepped from the coach in the first act of Manon on Monday, it was quite clear that she was claiming the ballet she created in 1974—and has not danced for a decade—as her own. She found in this first scene, as she did throughout the ballet, Anthony Dowell as her partner, her beloved, an effortlessly right complement. She found, too, as her alter ego, Stephen Jefferies' Lescart—and never before has Miss Sibley so stressed the emotional kinship between her and her partner. Best of all, she found her finest qualities, in this splendid maturity of her art, at their expressive and technical peak.

There certainly are programmes in which man's greatest single communications tool—the word—suffers. For example on Thursday Wynne Godley talked for half an hour in Channel 4's Opinion series about the shrinking of Britain's manufacturing base, and the longer I watched the more I wished I was reading his text for myself. Poorly served by a programme which froze him in medium close-up throughout, Godley exacerbated matters by narrowing his eyes, lowering his eyebrows to peer at the audience, and then leaning forward threateningly as though about to climb down the lens into my sitting room. Any normal viewer's concentration on the words would have been distracted by the pictures.

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Arts Guide

Theatre

LONDON
The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plumage...
As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season...

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibition/Thursday, A selective guide to all the Arts appears each Friday.

more's brilliant direction of backstage shenanigans on tour with a true star force is a key factor. (938 6838)
Starlight Express (Apollo, Victoria): Andrew Lloyd Webber's roller-skating folly has 10 minutes of Spielberg movie magic...

NEW YORK

As Is (Lycium): The first play about AIDS makes gestures toward the whole community...
The Circle (Booth): In moving to Broadway, Herb Gardner's teaching, funny and invigorating play about two oldest retains its stars...

WASHINGTON

In Regard of Flight (Kroeger): Bill Irwin's theatrical spot shows off the mime's talent in confronting a man-eating stage curtain...
Restoration (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bick is directed by Sharon Orr...

Manon/Covent Garden

From the moment Antioette Sibley stepped from the coach in the first act of Manon on Monday, it was quite clear that she was claiming the ballet she created in 1974—and has not danced for a decade—as her own. She found in this first scene, as she did throughout the ballet, Anthony Dowell as her partner, her beloved, an effortlessly right complement.

Sting/Albert Hall

I always found the Police a rather turgid band, inhibited by the fact that the trio was "built" around Sting and his bass, not the most dynamic combination. Perhaps Sting felt the same for he is now touring the world with a very different backing, four black American jazz musicians.

Philharmonia/Festival Hall

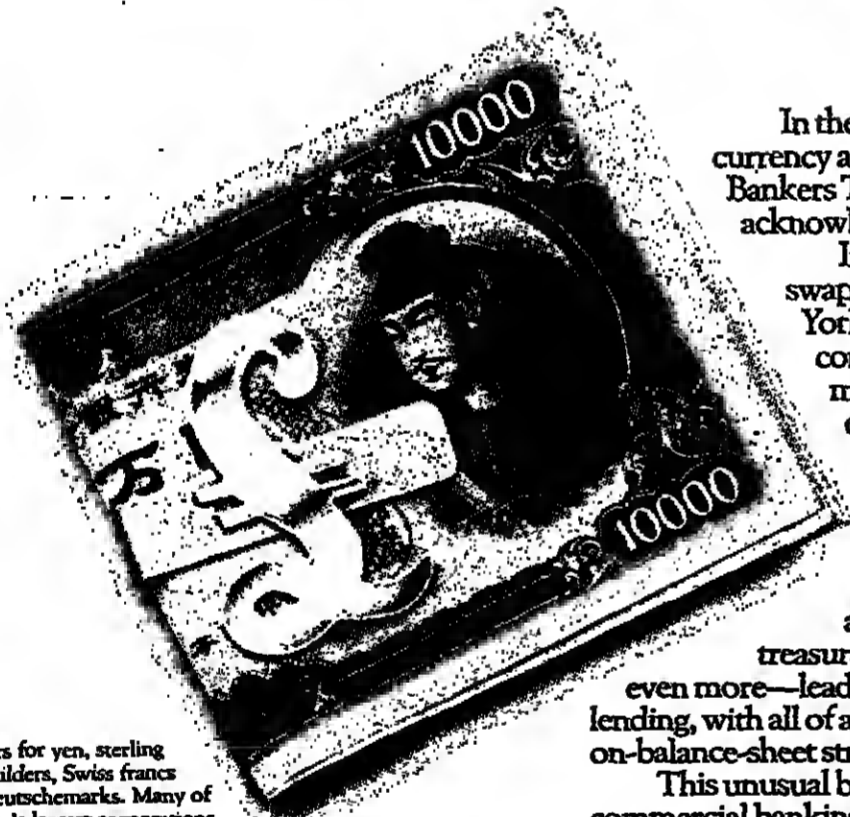
Klemperer last year, Furtwängler this year, the Philharmonia got the celebrations for the centenary underway on Monday in the Festival Hall. The programme was to have been conducted by Lorin Maazel, but he was dropped out because of illness a few days ago.

Balls and Chains/Lyric Studio

Howard Lester and Andrew Alty are The Go-Go Boys, an engaging duo who are exploring male attitudes to sexuality at the Hammersmith Lyric's Studio. The last show charted the friendship between a conventional heterosexual and a cheerfully open-and-out homosexual, interspersed with revue-type sketches aimed at the self-deluding myths of masculinity.

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transactions daily. Bankers Trust is today one of the five largest primary United States government securities dealers and one of the acknowledged leaders in foreign currency trading.

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Merchant banking. It's ideally suited to today's complex corporate banking needs. If you'd like to join the long list of clients now taking advantage of merchant banking, come to the bank that provides it: Bankers Trust.



Bankers Trust is a leading provider of credit to the natural gas industry and to other members of the energy sector. Our Energy, Utilities and Natural Resources Group also supplies a broad range of investment banking services.

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Merchant banking, worldwide.

INTERNATIONAL BANKING SUPERVISION

The Fed weighs the risks

By David Lascelles, William Hall and Peter Montagnon

THE rapid growth of international banking in the last few years has not just posed challenges for managers of the world's biggest banks...

posals. They also tackle one of the most vexing questions in banking today: the rapid growth in "off balance" sheet business such as letters of credit...

higher rating than loans to the less creditworthy. Also novel is the Fed's decision to distinguish between loans to banks and governments...

would seriously impair profitability unless fees were increased. One US banker calculates that the fees would have to rise tenfold to produce a viable return...

mediate reaction of the US financial community to the proposals has been mixed. It has been aimed at the top 200 banks in the country and is expected to have a minimal impact on the rest...

Although the Europeans and more recently the Japanese have been in broad agreement about how to measure the risks that banks are taking...



The Fed's Paul Volcker

However, in a move which makes possible a major step towards the harmonisation of international banking supervision, the US Federal Reserve last week tabled a set of proposals...

high and low-risk assets had encouraged US banks to take on riskier business because it was more profitable. It wants US banks to have capital underpinnings that reflect the risks they are running...

RISK CATEGORIES AND WEIGHTS

- CASH AND EQUIVALENTS: 0%
MONEY MARKET RISK: 30%
MODERATE RISK: 60%
STANDARD RISK: 100%

increased capital requirements might undermine the fast expanding market in NIFs. More than \$50bn in NIFs were arranged last year, a figure which by some counts suggests these have ousted the traditional eurocredit as a medium for bank financing in the Eurozone...

The document outlines a system of measuring the amount of risk banks are taking by "weighting" their assets depending on how likely they are to lose money...

The system breaks bank assets into four levels of risk ranging from pure cash where the risk is deemed to be nil, to loans which could be completely wiped out...

Not surprisingly, the im-

UK monetary policy

MO is dead; long live money GDP

By Bill Martin

ON JANUARY 8, unannounced but not unnoticed, the Chancellor's favourite targeted measure of narrow money supply, MO, finally bit the dust...

can also at times obscure the relationship between MO and money GDP. It is, therefore, most unlikely that MO will act consistently as a good early warning device...

Yet only 24 hours earlier, the financial markets were informed that, on slightly distorted figures, MO was growing below the bottom end of its target growth range...

A target which the Chancellor should introduce in March

broader money supply, has left financial markets with a first sterling exchange rate as the prime indicator of sound monetary policy. This is a profoundly unsatisfactory state of affairs...

Our own research has convinced us of the practicability of devising a reasonably reliable monthly measure which would be available a little over six weeks after the end of each month...

Fashion in mergers

From Mr G. Hall. Sir.—The current fashion for mergers is proving particularly ironic to those of us who are observers of the merger scene...

They have consistently underestimated the size of the bid premium that the amount that the price of the would-be acquired firm rises on announcement...

Managements usually overestimate the expected benefits from a merger and underestimate the problems to which it will give rise...

The true cost of unemployment

From Mr T. Horri. Sir.—I wonder how many other readers are struck by the absurdity of a long queue of traffic held up by a stationary double-decker bus...

Letters to the Editor

um of his unemployment benefit plus all the additional remedial services which come in the wake of high unemployment...

Footwear imports. From Mr W. Calvert. Sir.—Concerned to read (January 9) that restraints on Far Eastern non-leather footwear imports are calculated as costing the British consumer £28m a year...

Union law in Germany. From the General Secretary, International Metalworkers' Federation.

Sir.—The article on the crisis between German unions and the Government in Bonn (January 15) misses one absolutely fundamental point...

The relations between employers and unions in the Federal Republic of Germany have been based on a delicate balance of power...

the Far East, where there was no change in the arrangements, and from where we import broadly similar types of footwear...

Table with 2 columns: Year, Average import prices \$/Korea All Far East. Data for 1978, 1979.

Those who advocate unilateral disarmament on the trade front really do need better arguments than those in this study...

Changing British lifestyles

From Mr W. Martin. Sir.—We have read (January 15) with interest the article by David Churchill on British lifestyles...

Such behaviour is not perhaps as surprising as the article implies. Behind the shift in factors such as the absence of many major technological innovations...

Simplistic view of media. From Mr B. Smeed. Sir.—In Weekend FT's "Private View" article entitled "Third party not covered"...

Another way to judge the effect of the restraints on import prices is to compare retail prices in Hong Kong, where a VET came into force at the beginning of 1979...

Advertisement for Binder Hamlyn Chartered Accountants. Includes a cartoon of two men, one holding a sign that says 'SIR BERNHARD BINDER'. Text: 'To our founders, as to ourselves, Audits were and are occasions to set aside fellow-feelings; to cast a cold eye on a client's affairs...'.



SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Wednesday January 22 1986



Weak demand puts Data General on thin profit margin

BY PAUL TAYLOR IN NEW YORK

DATA GENERAL, the Massachusetts, US computer-maker...

HIGHER LOAN LOSS PROVISIONS HIT MAJOR US BANKS Citicorp earnings dip 7% during quarter

BY PAUL TAYLOR IN NEW YORK

CITICORP, the world's largest banking group, yesterday reported a 7 per cent decline in fourth-quarter earnings...

W. German bank to raise DM 900m

By Jonathan Carr in Frankfurt

COMMERZBANK, one of West Germany's leading commercial banks, is raising DM 900m (\$364m) through a rights issue...

Heavy restructuring charges lead to \$16m Alcoa loss

BY WILLIAM HALL IN NEW YORK

ALCOA, the leading US aluminium manufacturer, reported a \$16.8m loss for 1985 after charging off \$156.9m of unusual items...

Roche expects profits to show further gain

BY JOHN WICKS IN ZURICH

HOFFMANN-LA ROCHE, the Swiss chemicals concern, expects a further improvement in group earnings for 1985 after an 8.1 per cent rise in turnover...

French Total group recovers

BY PAUL BETTS IN PARIS

TOTAL-Compagnie Française des Pétroles (CFP) expects to report net earnings of more than FF 1.5bn (\$198m) for 1985...

United Technologies moves slightly higher

BY OUR NEW YORK STAFF

UNITED TECHNOLOGIES (UT), the seventh largest manufacturing company in the US, yesterday reported a 5 per cent rise in its net income...

SmithKline sales aided by downturn in dollar

BY TERRY BYLAND IN NEW YORK

SMITHKLINE Beckman, the US pharmaceutical group, lifted sales and profits last year, aided in the final quarter by the downturn in the US dollar...

Montedison unit examines takeover move

By Alan Friedman in Milan

META, a subsidiary of Italy's Montedison group, is understood to have expressed interest in acquiring all or part of the 1,800bn (\$47bn) of assets held by Europrogramme...

'CONSTANT HARD WORK WAS KEY TO RESULT' Fiat performance improves

BY JAMES BUXTON IN ROME

FIAT, the Italian private sector vehicle and engineering group, said yesterday that its performance in 1985 had been "decidedly more satisfactory" than the already good results achieved the previous year...

performance increased by a little more than FF 3bn compared with a year before.

United Technologies moves slightly higher

UNITED TECHNOLOGIES (UT), the seventh largest manufacturing company in the US, yesterday reported a 5 per cent rise in its net income...

ALLIANCE LEICESTER Alliance & Leicester Building Society Issue of up to £200,000,000 Floating Rate Notes 1993

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa Registration No. 011/00429006)

Interim Report for the six months ended 31 December 1985

The following are the unaudited consolidated results of the Company and its subsidiaries:

Consolidated Income Statement	Six months ended			Consolidated Balance Sheet	Six months ended		
	31 Dec. 1985	31 Dec. 1984	30 June 1985		31 Dec. 1985	31 Dec. 1984	30 June 1985
Profit before taxation	99.9	75.3	176.1	Capital employed:			
Taxation	21.2	9.1	19.6	Ordinary shareholders' interest	577.1	488.7	
Profit after taxation	78.6	66.2	156.5	Preference share capital and premium	56.0	64.0	
Outside shareholders' portion of profit	—	0.3	0.3	Outside shareholders' interest	3.8	10.1	
Profit before preference dividends	78.6	65.9	156.3	Deferred taxation	48.1	33.4	
				Long-term liabilities	88.9	61.5	
					767.9	657.7	
Derived from:				Employment of capital:			
Income from investments	53.5	47.1	107.0	Investments, loans, marketable properties and mining prospects	458.8	391.6	
Attributable earnings of operating subsidiaries	13.9	10.4	22.7	Fixed and mining assets	281.1	261.0	
Other revenue	13.2	8.4	26.6	Net current assets	23.6	5.1	
Preference dividends	3.3	3.7	7.2		767.9	657.7	
Profit attributable to ordinary shareholders	75.3	68.2	149.1	Net asset value per share (based on market valuation of listed investments at 31 December 1985 and directors' valuation of unlisted investments at 30 June 1985)	R257	R269	
Ordinary dividends	24.0	14.7	63.6				
Retained profit	51.3	47.5	84.6				
Earnings per share	1.022c	845c	2.025c				
Dividends per share	325c	200c	875c				
Number of ordinary shares in issue	7373300	7373300	7373300				

- Notes**
- Profits attributable to ordinary shareholders at R75.3m were R13.1m or 20.9% higher than for the corresponding period of last year. Income from investments rose by R6.5m, other net revenue increased by R3.5m as a result of an improvement in the level of fees received and much better conditions in the money market, and profits earned by operating subsidiaries, primarily Tavistock Collieries Limited, increased by R2.5m.
 - In recent years the disparity between the interim and the final dividends has widened and the increase in the interim dividend from 200c to 325c is intended both to reflect the improved results and to reduce that disparity.
 - The Company's interest in profits retained by non-subsidiary companies in which it has substantial investments amounted to R16.3m (1984—R10.5m) or 221c per share (1984—142c). These retained earnings are net of any dividends received from the above companies during the past six months, and the pattern of dividend payments of these companies results in the greater portion of retained earnings accruing in the second half of the financial year.
 - Particulars of the Group's capital expenditure are as follows:

	31 Dec. 1985	31 Dec. 1984	30 June 1985
Capital expenditure for period	13.5	19.9	66.9
Capital expenditure commitments	24.0	34.1	21.3
 - There are no material changes in contingent liabilities from those disclosed in the latest annual report.
 - In terms of the provisions of the Share Option Scheme, options to subscribe for or purchase a total of 173 500 ordinary shares were granted to nominated executives on 25 October 1985 and 3 December 1985, at prices ruling on the Johannesburg Stock Exchange on 24 October 1985 and 29 November 1985 respectively.

On behalf of the board
G. H. Waddell
F. F. Retief | Directors

Dividend No. 120

An interim dividend (No. 120) of 325 cents per share in the currency of the Republic of South Africa has been declared payable to holders of ordinary shares in respect of the year ending 30 June 1986.

Last date for registration: 7 February 1986
Registers close (dates inclusive) from: 8 February 1986 to: 14 February 1986

Currency conversion date (for payments from London): 24 February 1986
Date of payment: 10 March 1986

The dividend is declared subject to the customary conditions which may be inspected at or obtained from the Company's Johannesburg office, the office of the London Secretaries (Barnato Brothers Limited of 99 Bishopsgate, London, EC2M 3XE) or the London Bearer Office of Hill Samuel and Company Limited, 45 Beach Street, London EC3P 3LX. Holders of share warrants to bearer should present Coupon No. 120 to the London Bearer Office.

South African Non-Resident Shareholders' Tax at the rate of 12.57 per cent and United Kingdom Income Tax will be deducted from the dividend where applicable.

By order of the board
M. J. Meyer
Secretary

Head Office and Registered Office:
Consolidated Building, cnr Fox and Harrison Streets, Johannesburg 2001 (P.O. Box 590, Johannesburg 2000) 21 January 1986

INTL. COMPANIES and FINANCE

Caterpillar Tractor pulls back into profit

BY TERRY DODSWORTH IN NEW YORK

CATERPILLAR Tractor, the world's largest earthmoving equipment manufacturer, hauled itself back into profit last year after three years of heavy losses. It forecast moderate profitability in the current 12 months.

Net income for 1985 amounted to \$198m, or \$2.02 a share, against a loss of \$428m, or \$4.47 a share, in the previous year. Sales rose to \$6.73bn from \$6.58bn.

In the fourth quarter, earnings came to \$87m, or 88 cents a share, against a loss of \$251m, or \$2.80 a share, while sales rose to \$1.81bn from \$1.66bn.

Last year's results were helped by factors including a \$90m extraordinary gain from the sale of the Turbomachinery division of its solar turbines subsidiary and a \$200m benefit from inventory adjustments under the last in, first out system of accounting.

In addition, Caterpillar acknowledged net currency exchange gains of \$89m, against a \$25m exchange loss in 1984, while reorganisation costs fell substantially. In 1985, it recorded a \$88m charge for further planned manufacturing consolidation, against a much larger provision of \$226m in 1984, and \$12m in 1983.

Caterpillar said its return to profitability also reflected its continued cost reductions resulting from its consolidation programme.

Although the group's target of a 32 per cent cost reduction from its 1981 standards by 1985 was not met, it achieved "significant" cuts, and was pressing ahead with more with the aim of becoming "the lowest-cost producer in the industry based on value provided." As part of those plans, the company is considering the closure of its Bettendorf, Iowa, manufacturing plant, which employs 175 people.

US stores group acts to boost earnings

By Our New York Staff

FEDERATED Department Stores, the biggest US department store chain, has announced a series of moves to consolidate its sprawling empire in a bid to improve its recent sluggish earnings performance.

The group, which operates 589 stores ranging from Bloomington in New York to L Magnin in California, said that the moves, which will result in a fourth-quarter charge of \$25m, are designed "to enhance effectiveness and efficiency at both the division and corporate level."

The most visible move is the merger of the group's two Midwest store chains, Lazarus and Shillito Rikes, into a single 31-store chain under the Lazarus name which will be headquartered in Cincinnati. The new Lazarus division bears the name of Federated's premier founding family and in terms of numbers of stores will be the largest in the group although in terms of annual sales of \$850m will be slightly smaller than Bloomington's. Mr Douglas M. Thomson, chairman and chief executive of Shillito Rikes, will head the new Lazarus division.

Federated is also merging its two MAS merchandising divisions - Gold Circle and Richway - into a new group which will be the largest mass merchandising unit in the US with annual sales of over \$1.1bn. It will be headquartered in Columbus, Ohio.

The group is also reorganising its corporate office.

Pennzoil 'would insist on own identity in any Texaco merger'

BY MARY FRINGS IN DALLAS

ANY MERGER between Texaco and Pennzoil as a means of ending their two-year legal battle over Texaco's acquisition of Getty Oil would have to allow Pennzoil to maintain its separate identity, according to Mr J. Hugh Liedtke, the company's chairman.

In an interview with a Dallas newspaper this week he said: "Pennzoil is not interested in any proposal where its current board of directors will not control the financial destiny of Pennzoil shareholders and be in a position to assure meaningful careers to all of its employees."

He describes Texaco's cash merger proposal, which Pennzoil's board rejected on January 7, as "a low-ball offer - so low as to be foolish or embarrassing."

Pennzoil said yesterday that no new talks between the two companies were currently scheduled, although reports in New York suggest that negotiations might be resumed next week in an attempt to reach a settlement before February 10.

On or before that date, a New York federal court is to consider whether to extend its one-month waiver of the \$12bn bond required under Texas law, pending an appeal against a Houston jury's findings that Texaco improperly induced Getty to break its previous merger agreement with Pennzoil. Texas District Judge Solomon Cassee confirmed the jury's \$11.1bn damage award on December 10.

Texaco has said that posting a bond of that magnitude would force it to file for bankruptcy and deny the company its constitutional right of appeal. Further constitutional issues have arisen with the intervention of Texas Attorney General Jim Mattox, who has filed an appeal against the ruling of US district judge Charles Bryant that Texaco need post only a \$1bn bond.

North American quarterly results

BOISE CASCADE Forest products				CENTRAL & SOUTH WEST Utility holding company				BURLCO Housing products				NORTHERN TRUST Bank holding company					
Fourth quarter		1985		1984		Fourth quarter		1985		1984		Fourth quarter		1985		1984	
Revenue	85.0	97.0	Revenue	22.2	22.7	Revenue	27.7	28.5	Revenue	11.3	11.5	Revenue	11.3	11.5	Revenue	11.3	11.5
Net profit	10.1	12.4	Net profit	3.3	3.5	Net profit	3.2	3.3	Net profit	1.5	1.5	Net profit	1.5	1.5	Net profit	1.5	1.5
Net per share	0.81	1.01	Net per share	0.80	0.75	Net per share	0.18	0.40	Net per share	0.18	0.40	Net per share	0.18	0.40	Net per share	0.18	0.40
Year	3.7m	3.2m	Year	2.7m	2.8m	Year	21.0m	24.9m	Year	7.5m	7.2m	Year	7.5m	7.2m	Year	7.5m	7.2m
Revenue	284.3m	265.0m	Revenue	371.0m	352.7m	Revenue	35.1m	33m	Revenue (first-odd)	34.1m	22.4m	Revenue (first-odd)	34.1m	22.4m	Revenue (first-odd)	34.1m	22.4m
Net profit	3.45	2.23	Net profit	3.1	3.43	Net profit	1.37	1.82	Net profit	6.20	4.06	Net profit	6.20	4.06	Net profit	6.20	4.06
Net per share	0.21	0.29	Net per share	0.22	1.43	Net per share	1.30	1.74	Net per share	0.71	0.70	Net per share	0.71	0.70	Net per share	0.71	0.70

Oesterreichische Kontrollbank Aktiengesellschaft

US\$ 500,000,000

Eurocommercial Paper Programme

Guaranteed By

The Republic of Austria

Dealer - Managers

Bankers Trust International Limited Banque Paribas Capital Markets Limited
Orion Royal Bank Limited Swiss Bank Corporation International Limited

US \$60,000,000

Industrias Peñoles, S.A. de C.V.

Floating Rate Notes Due 1989

Interest Rate 10% per annum
Interest Period 22nd January 1986
22nd April 1986

Interest Amount per U.S. \$10,000 Note due 22nd April 1986 U.S. \$250.00

Credit Suisse First Boston Limited
Agent Bank

New Zealand

£200,000,000

Floating Rate Notes 1997

Comprising an initial issue of £100,000,000 in August 1985 and a further issue of £100,000,000 in December 1985

S. G. Warburg & Co. Ltd.

- | | |
|--------------------------------------|--|
| Baring Brothers & Co., Limited | County Bank Limited |
| BankAmerica Capital Markets Group | Bank of New Zealand |
| Bank of Tokyo International Limited | Banque Paribas Capital Markets |
| Citicorp Investment Bank Limited | Commerzbank Aktiengesellschaft |
| Credit Suisse First Boston Limited | Dresdner Bank Aktiengesellschaft |
| EBC Amro Bank Limited | Fuji International Finance Limited |
| Hambros Bank Limited | Hill Samuel & Co. Limited |
| IBJ International Limited | Kidder, Peabody International Limited |
| Kleinwort, Benson Limited | Lloyds Merchant Bank Limited |
| Mitsui Finance International Limited | Samuel Montagu & Co. Limited |
| Morgan Grenfell & Co. Limited | Morgan Stanley International |
| Orion Royal Bank Limited | Salomon Brothers International Limited |
| J. Henry Schroder Wagg & Co. Limited | Swiss Bank Corporation International Limited |

American Motors Overseas Corporation N.V.

6% US-Dollar Bonds due 1992

Notice is hereby given to holders of the above Bonds that the redemption instalment of \$1,500,000 due on April 1, 1986 has been entirely affected by application of Bonds surrendered for conversion.

There will be no drawing by lot.

Willemstad, Curaçao in January 1986

AMERICAN MOTORS OVERSEAS CORPORATION N.V.

If you don't make dust, you eat dust.



Our view of the future is unobstructed by the debris of monopolistic thinking. We have better things to do.

That's why we settled our part of both MCI antitrust suits out of court. That's why our people pioneered equal access. And, that's why we were the first to offer equal access in a way fair to all.

In our region, long distance companies are free to compete. And, as a result, our customers are free to choose.

We believe the place to compete is in the marketplace, not in the courts.

Start thinking of us as a growth company. If you haven't already, you will soon. We are not a utility. And we are not acting like one.

For our 1984 Annual Report, call 303-793-6600 or write US WEST Report, 7800 East Orchard Road, Englewood, Colorado 80111.

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INTERNATIONAL COMPANIES and FINANCE

Late rush of Eurodollar deals

BY MAGGIE URRY

A FIRMER opening in the New York bond market brought a late flurry to the Eurodollar market. Prices were ahead by around 3 points yesterday and a rush of issues appeared in the afternoon.

The rally helped an issue Merrill Lynch launched in the morning for its parent. The \$200m deal, which had been increased from \$150m, has a short three-year maturity, usually difficult to sell to investors.

well above par with some around 108 1/2. Another issue with equity warrants, which are popular at present, is expected for Firell, the Italian tyre company.

for Swedish Export Credit (SEK). The issue of Y10.14bn is of 10-year non-callable bonds paying a 6 1/2 per cent coupon and priced at 102. Fees total 2 per cent. Another, related, issue from SEK is expected today.

Generous terms on \$233m loan for Turkey

By Peter Montagna, Euromarkets Correspondent

TURKEY HAS launched a \$233m, eight-year credit in the Euromarkets to help finance construction of a 420 MW hydroelectric power station at Kayraktepe on the Goksu river in the south-central part of the country.

The credit, to which the World Bank will contribute \$33m under its co-financing scheme, is expected to be the country's only large medium-term loan this year.

The mandate for the deal has been awarded to Citibank Corporation, which agreed to underwrite the full amount after a fierce bidding process among international banks.

Nomura's change at top heralds fresh approach

BY CARLA RAPOPORT IN TOKYO

A SIX-FOOT high ice sculpture of the world slowly melted yesterday as Nomura Securities presented its new president to 1,000 or so of its closest friends and clients at a sumptuous party.

Nomura chief was reasonably open about some of the criticisms that outsiders have about the Tokyo financial market.



Mr Yoshihisa Tabuchi: must keep up the pace

For example, many complain that eager Nomura salesman will generate enthusiasm for 2 stock or sector, only to get their best customers in on the beginning of the stock's climb.

Mr Tabuchi reckons that about 70 per cent of Tokyo's shares are illiquid, that is, closely held by investors, such as banks which have a close relationship to the company.

F & C launches stock index futures fund

BY ALEXANDER NICOLL

FOREIGN AND COLONIAL, the British investment management concern, is launching today what is believed to be the first UK-managed fund investing only in US stock index futures and options, rather than in the underlying equities.

F & C plans later this year to seek a London Stock Exchange listing for the Jersey-registered fund. Because of tax considerations, however, it is more likely to appeal to offshore investors than to UK residents.

ment of only about 5 per cent of their value, up to 85 per cent of the sub-fund would actually be invested at normal times in Eurodollar money market instruments.

may be lodged with one clearing broker. The fund's assets raised were the differing risk characteristics of options and futures and the sub-fund's borrowing limits.

Euro-equity issue for property group

BY JOHN WICKS IN ZURICH

INTERSHOP PROPERTIES, a Panama-based company investing in U.S. property, is to make a Euro-equity issue and list the shares on the Zurich over-the-counter market.

The company, which has investments in American commercial real estate, was formed in Zurich by the Zurich-based property developer Intershop Holding, Union Bank of Switzerland, and the insurance groups Winterthur and Allianz.

At the company's last general meeting, its capital was increased from \$40m to \$100m. Present paid-up capital amounts to \$31.75m.

Electronic trading for Swiss SEs

By William Dufforce in Geneva

SWISS STOCK exchanges hope to instal and start an electronic system for trading options in shares before the end of this year—considerably earlier than originally planned.

A steering committee, set up by the tripartite commission which is co-ordinating modernisation of the Zurich, Geneva and Basel stock exchanges, has set a deadline of the end of March for a project team to present it with a short list of possible systems.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on January 21

Table with columns: US DOLLAR STRAIGHTS, OTHER STRAIGHTS, CONVERTIBLE, and various bond details including issuer, amount, and price.

DOMESTIC BOND MARKETS

Prices bounce back in Tokyo

Yen bond prices recovered sharply in Tokyo from yesterday's falls due to firm US bond futures in Chicago, a sharp fall in the price of oil and speculation that the US fourth-quarter GNP figure, due today, may be revised downwards.

In over-the-counter trading, the yield on the benchmark No. 7B 5 1/2 per cent government bond issue edged down to 5.78 per cent from 5.77 per cent.

One of the four largest domestic securities houses moderately bought the No. 7B

Frankfurt lacks clear direction

In Frankfurt, public authority bond prices ended a bourse trading steady after their trading with both foreign and domestic investors unwilling to open fresh positions ahead of the reopening of the US markets today after the long weekend.

Both long and short maturities fluctuated between losses and gains of 10 pfennigs. "There was a distinct lack of fresh factors to give bond markets a clear direction," said one dealer.

The Bundesbank sold DM 37.9m of domestic paper after buying DM 6.2m yesterday. The recent 1985 6 1/2 per cent and 6 1/4 per cent federal government loan stocks rose five and 20 pfennigs to 101.40 and 103.10 respectively.

Advertisement for AJINOMOTO CO., INC. featuring the company logo, name, and details of a \$120,000,000 U.S. bond issue with warrants to subscribe for common stock.

DEUTSCHE MARK STRAIGHTS

Table listing Deutsche Mark straight bonds with columns for issuer, amount, and price.

YEN STRAIGHTS

Table listing Yen straight bonds with columns for issuer, amount, and price.

CONVERTIBLE

Table listing convertible bonds with columns for issuer, amount, and price.

YEN STRAIGHTS

Table listing Yen straight bonds with columns for issuer, amount, and price.

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INTERNATIONAL COMPANIES and FINANCE

Honda lifts consolidated earnings by 28%

By Yoko Shibata in Tokyo

HONDA MOTOR of Japan achieved a 28.1 per cent rise in consolidated net profits to ¥116.41bn (\$75.3m) in the nine months to last November, a performance which was attributed to strong sales in Japan and the US and a ¥14.30 drop in the yen's average exchange rate against the dollar over the period.

This offset a substantial increase in research and development spending and other sales expenses. Honda noted, however, that third-quarter earnings from its overseas subsidiaries — which have a year ending in December — cover operations from July to September, during which period the impact of currency movements on earnings was relatively minor, a greater impact is foreseen for the fourth quarter due to the weakening of the dollar against the Yen.

Even so, group net profits in the three months to November began to slow down, with only a 3.3 per cent gain to ¥33.92bn, on sales of ¥566.92bn, up 8.3 per cent.

Nine-month sales rose 10.9 per cent to ¥2,163.6bn of the total, 70.5 per cent came from overseas markets.

Marcos calls off merger of two banks

By Samuel Senoren in Manila

PRESIDENT Ferdinand Marcos of the Philippines has called off the planned merger of two state banks, Philippine National Bank (PNB) and Development Bank of the Philippines (DBP), in what appeared to be a turnabout from a commitment made last year to the International Monetary Fund and the World Bank.

Instead, the two banks will be allowed to continue operations independently but will transfer all their non-performing accounts to the Government, in order to aid their return to viability.

These accounts, estimated at more than 100bn pesos (\$5.24bn), represent as much as 70 per cent of their total loan portfolios.

BHP INCOME BOOST FOR HOLMES & COURT Bell Resources trebles net profits

BY MICHAEL THOMPSON-NOEL IN SYDNEY

BELL RESOURCES, one of the companies controlled by Mr Robert Holmes & Court, the Perth businessman, almost trebled net profits last year, to reach A\$104.2m (US\$1.9m) compared with A\$34.9m in 1984. A final dividend of 7.5 cents a share boosts the total payout from 12.5 cents to 15 cents per share.

In addition, there will be a one-for-five bonus issue, despite a share split two months ago, and this will qualify for the dividend. In Sydney, Bell Resources' shares surged 50 cents to a closing A\$6.50.

Bell Resources is the energy offshoot of Mr Holmes & Court's Bell Group. Its biggest bonanza last year was investment income, which rose from A\$22.5m to A\$136m, thanks mainly to the company's 18.5 per cent effective stake in Broken Hill Proprietary (BHP), Australia's largest company.

In addition, Bell Resources generated premium income of A\$44m on BHP options and warrants, which will be included in the 1986 accounts. This figure compares with a loss on other activities of A\$6.1m

in the previous year.

For some weeks the market has been expecting a fresh Bell foray into BHP — a manoeuvre that may now have moved closer as a result of the exceptional level of profits achieved by the potential predator in 1985.

Bell Resources has not equity-accounted its BHP profit entitlement, but will include a supplementary statement in its 1985 annual report. BHP's net profit is currently running at an annual rate of A\$1.7bn-plus. The latest bonus issue from Bell Resources will apply to

all shareholders, plus holders of convertible notes, partly paid shares, and options.

Other major Bell investments include a 10 per cent stake in the huge Utah coal operation in Queensland, and a royalty on Bass Strait oil production. Turnover for the year totalled A\$301.8m, up from A\$144.6m.

Extraordinary profits of A\$1.7m further expanded the attributable result, but these were far short of the A\$7.1m in non-recurring earnings recorded last time.

Bombay SE intervenes to stem price surge

By John Elliott in Bombay

BOMBAY Stock Exchange authorities have intervened in the market for the first time in more than two months to stem a surge in share prices that has built up in the past few weeks.

Reflecting increases on India's other 13 stock exchanges, as well as in Bombay, the All India share index of the Economic Times, the country's main business newspaper, rose from 489.7 just before Christmas to 508.4 on January 2 and 534.7 on January 10.

Pre-payment margins of 10 and 20 per cent were introduced last week on sales and purchases in 32 leading Bombay issues and the market responded, with the index faltering and then falling back to 522.8.

The increase was a delayed response to the Indian Government's long-term fiscal policy, which was announced just before Christmas and was followed by a brief decline on the stock markets.

The fiscal policy promises companies continued tax reforms, including a reduction of surtax for high-earning companies which have foreign equity covered by the country's Foreign Exchange Regulation Act. In the past few weeks there have also been a series of relaxations of the country's industrial policy licensing arrangements, benefiting large companies in particular.

Share prices started rising a year ago, responding to the policies of Mr Rajiv Gandhi's new Government and the budget in August. They reached a peak in March, then dropped back in response to trading restrictions and selling by foreign-owned financial institutions.

The Government is worried that the country's unsophisticated share markets may rise unrealistically high and then crash, hurting inexperienced investors and knocking economic confidence. It will therefore continue to authorise interventions in the market during the current year when further substantial increase in prices are expected.

MIM Holdings returns to the black at six months

BY OUR SYDNEY CORRESPONDENT

MIM HOLDINGS, the big Queensland coal and copper mining group, came out of the turnaround in the 24 weeks to December 8, recording net profits of A\$30.8m (US\$21.3m) against a first-half loss of A\$26.5m the previous year.

Revenue was 21 per cent ahead at A\$633.8m although the company said the improvement was not due to any significant pick-up in metal or coal prices.

Conversely, cost-cutting and the depreciation of the Australian dollar helped to

push MIM back into the black. The company is paying a first half dividend of two cents per share; the payout for the comparable period was omitted.

Australia's Peko-Wallaseid is spending US\$54m to raise its stake in the Robe River iron ore project — the world's fifth largest — from 35 per cent to almost 51 per cent, by buying all the Western Australian iron ore interests of the Ohio-based Cleveland-Cliffs. Robe River produces more than 15m tonnes of iron ore annually.

Chase may pull out of Egyptian joint venture

BY ANTHONY WALKER IN CAIRO

CHASE MANHATTAN BANK of the US is considering divesting itself of a 49 per cent share in Chase National, a joint venture bank in Egypt.

The bank stressed, however, that no final decision had been made, although it was engaged in a review of its worldwide operations.

Mr Fryser Seitel, the company's public affairs director in New York, confirmed that discussions had been in progress for some time with the Chase's Egyptian partner, the National

Bank of Egypt, which is the country's largest public sector commercial bank.

Mr Seitel described the joint venture Chase National Bank of Egypt, which has total assets standing at more than \$900m, as a "good solid business". The dividend received by Chase in 1984 on net profits of about \$20m was a modest \$1.5m.

Late last year it decided to close its operation in Jordan, where it had one branch. The Egyptian joint venture was established in 1975.

Abdullah resignation widens rift at Promet

BY WONG SULONG IN KUALA LUMPUR

HOPES OF a compromise between Datuk Brian Chang of Singapore and the Mohamed brothers of Malaysia in order to avert a clash for control of Promet, the oilrig and construction group, were dashed yesterday with an announcement by Dato Abdullah Mohamed that he has resigned from the Promet board because of policy differences.

The resignation came just two days before an extraordinary general meeting, requisitioned by two shareholders sympathetic to Datuk Chang, who is Promet's managing director. The meeting will seek to dismiss Tan Sri Ibrahim Mohamed, Dato Abdullah's brother, as the group's chairman.

Dato Abdullah yesterday conceded that Datuk Chang is likely to get his way at the EGM on Thursday, but he gave strong

hints that the battle for Promet was far from over, and could spill over to the political arena and the courts. The Mohamed brothers are politically well connected.

Datuk Mak Kok, a close associate of Dato Abdullah, is currently suing Datuk Chang over an alleged promise to sell 100m Promet shares to him in exchange for shares in various companies, including Selangor Properties, of which Tan Sri Ibrahim is a major shareholder. Datuk Chang has denied he has made such a pledge.

The Mohamed brothers, widely regarded as examples of dynamic Bumiputra (Malay) businessmen, hold about 11 per cent of Promet, while Datuk Chang and his family control between 30 and 40 per cent of the 33m shares.

Tan Sri Ibrahim, and Datuk

Chang took over Promet in 1980 and soon transformed it into one of the major stocks on the Malaysian and Singapore exchanges. However, the partnership became strained 18 months ago because of conflicting management styles, aggravated by several ill-timed investment decisions and shrinking profits.

Dato Abdullah, who was joint managing director until a month ago, said his resignation was prompted by disagreements over policies on employment, award of subcontracts, purchase and procurement, the implementation of the Langkawi Island tourist project and disclosure of management information.

He said Singaporeans were given preference to Malaysians in employment orders and contracts. The Langkawi project,

estimated to cost more than US\$1.5bn, was being built because Promet wanted to control all aspects of its development. Instead of decentralising and farming out opportunities to investors, Dato Abdullah added.

He also criticised Promet's decision to go into oil exploration because it had little experience in that field. So far, the group has invested 100m ringgit (US\$40m) in exploration in China, Indonesia and Malaysia, with very modest results.

Promet shares have been in virtual free-fall over the past two years and currently sell at around 60 cents, giving the group a market capitalisation of just over 200m ringgit. At the end of 1983 it was capitalised at 1,000m ringgit and ranked 1st on the Kuala Lumpur stock exchange.

Advertisement for Nord/LB Finance (Curaçao) N.V. featuring AS\$50,000,000 14% Notes Due 1991. Secured on a deposit with the head office of Norddeutsche Landesbank Girozentrale. Lists various international banks as agents.

Advertisement for Volvo offering to exchange restricted B shares for non-restricted B shares. Includes details of the offer and contact information for the Board of Directors.

Advertisement for The Republic of Panama offering U.S. \$50,000,000 Floating Rate Serial Notes due 1991. For the six months 23rd January, 1986 to 23rd July, 1986.

Advertisement for The Financial Times proposing to publish a survey on GHANA. On Monday 19 May 1986. Advertising copy date for this survey is Monday 21 April 1986.

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Head Office: Kirkegaten 14-18, Oslo, P.O. Box 1172 Sentrum, 0107 Oslo 1. Tel: (472) 31 90 50. Telex 19470 UBN BK. Domestic name: Sparebanken ABC.

Large advertisement for Union Bank of Norway.

UK COMPANY NEWS

First Leisure's 50% profit growth

A 50 per cent advance in pre-tax profits at First Leisure Corporation has more than fulfilled the directors' expectation...

Matthew Clark advances 13% midway

SATISFACTORY FIGURES have been achieved by Matthew Clark and Sons (Holdings), the wine and spirit distributor...

Appledore surges 44% and plans expansion

FURTHER GROWTH through the second six months enabled the A & F Appledore Group to lift its 1984-85 profits...

First Castle

Morgan Grenfell, advisers to Morgan Crucible in its contested £11m bid for First Castle Electronics...

Harvard

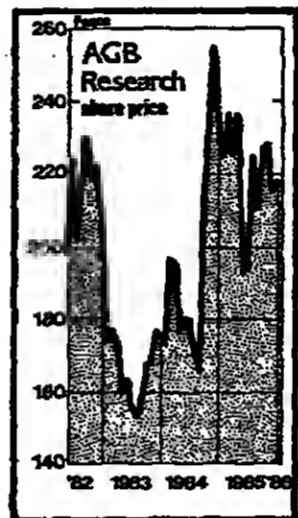
Harvard Securities has decided to offer a 5p warrant cash alternative in the offer attached to its bid for United Computer and Technology Holdings.

Microsystems joining the USM

MICROSYSTEMS GROUP a manufacturer of bus ticket machines, taxi meters and other electronic products...

Further increase expected at AGB

AGB Research, the consumer and industrial market research group, yesterday reported a near 15 per cent interim profits increase...

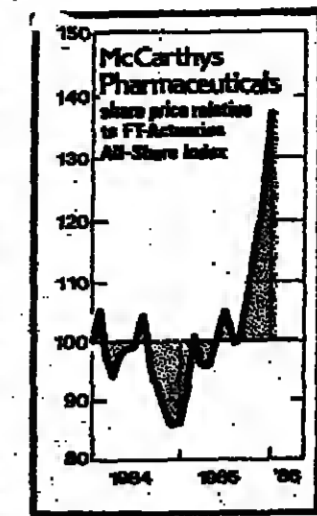


There are three core reasons why AGB's profits came in so far ahead of expectations...

Macarthy's restructuring comes through in profit

BY DAVID GOODHART

INTERIM PROFITS up 18 per cent were announced yesterday by Macarthy's Pharmaceuticals, which is facing a hostile £53m takeover bid...



Mr Slow split out some of the changes which began last February and are scheduled to reach completion in April...

FII rises 32% to £4m

FII, Dublin-based fruit and vegetable merchant, has lifted pre-tax profits by 32 per cent to £4m for the year to October 1985...

continue to run the company. He will also become managing director of FII (Northern) which is the FII holding division in Northern Ireland...

Atlantic Computers sales surge

BY RICHARD TOMKINS

Atlantic Computers, the computer leasing group, yesterday announced that its sales in the quarter ended December 1985 had approached the £95.1m achieved for the whole of 1984...

Our position during the current year, the company said. We look forward to 1986 with confidence and believe for the group as a whole.

Hampson ahead by 27%

A THREE MONTH contribution from Ian Walker Furniture, acquired last July, has helped Hampson Industries boost pre-tax profits by 27 per cent in the half-year to September 30 1985...

Setback for SEET but interim lifted. Pre-tax profit of Scottish English and European Textiles, maker of clothing fabrics and mohair products...

Bluemel offshoots sold

A CONDITIONAL contract has been signed to sell the remaining subsidiaries of the lost-making Bluemel Bros group...

LADBROKE INDEX 1.108-1.112 (+5) Based on FT Index Tel: 01-427 4411

Table titled 'DIVIDENDS ANNOUNCED' listing company names, current payment dates, and dividend amounts.

Table titled 'Granville & Co. Limited' showing a list of stocks and their prices/yields.

Advertisement for RUSSELL REYNOLDS ASSOCIATES, INC. including text about appointments and office locations in various cities.

Advertisement for JOHNSON & JIGGINS, stating they have joined as Senior Vice President and Manager of Oil & Gas/Energy Department.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

RISE IN PROFITS have long been viewed as the key to international confidence in banks...

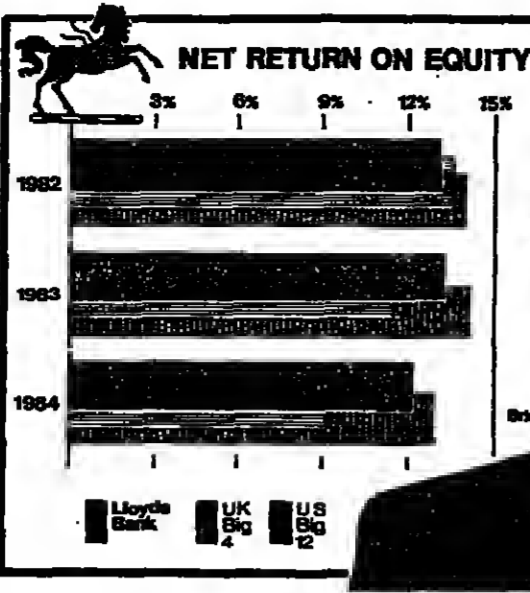
The need for greater stress on profitability has been advocated particularly strongly in public...

Shareholders have much higher expectations now, he says, commenting that in the past banks have delivered poor returns...

What has sharpened their concern is the fact that they are no longer just competing with each other but with other types of institutions...

Lloyds is the smallest of the Big Four with assets of £44bn, but it likes to think of itself as the most "exportable" and individualistic...

Generally regarded as among the better managed of the UK clearers, it is dogged by a heavy exposure to Latin American countries...



Chasing better returns

David Lascelles explains why Lloyds Bank is concentrating its efforts on raising profitability and quality of earnings

formance of all parts of the bank itself. Our research shows that we must make a real rate of return of 10 per cent to compete with other investments...

Recently returns have been falling rather than rising, largely because of the heavy toll of bad debts and, in 1984, the exceptional tax provisions in the Budget...

Some parts of Lloyds' business are not capital-intensive—mainly because the bank could not see the investment matching up to its profitability goals in the foreseeable future...

This exercise helped shape some of the big strategic decisions which Lloyds has taken in the last year or two. For instance, it has sold off £200m of investments...

At the beginning of this year, Lloyds also merged in its international side, Lloyds Bank International, which had operated as a separate entity, splitting the bank's resources and duplicating efforts...

Concern about returns has led Lloyds to select its targets more carefully. The decision not to buy a stockbroker was taken, according to Pitman, mainly because the bank could not see the investment matching up to its profitability goals...

Special services for the wealthy, finance for coffee traders, UK housing finance, these are some of the specialised markets that Lloyds is trying to pick off...

Pitman is particularly keen to harness new technology not just to cut costs but because its long lead time gives the innovator a better start on the competition...

As part of his drive to improve the quality of Lloyds' earnings, Pitman has tried to insulate Lloyds' profits from forces over which it has no control, like changes in interest rates and currencies...

year on average over the last five years.

The international dimension to Lloyds' quest for higher returns is that it increasingly considers itself to be competing for capital against foreign banks, so its profitability must measure up to—preferably surpass—theirs...

The UK banks' returns are not much different from foreign banks, but with their huge staffs and branch networks they probably have more scope to raise productivity in the long run than their leaner overseas rivals...

Lloyds shares have outperformed the UK market over the last 12 months (they have risen 22 per cent against the all share index, according to Greenwells, the stockbrokers, compared with 12 per cent for Barclays and 3 per cent for National Westminster)...

But it is a matter of some debate just how much this has to do with profitability; some analysts say the easing of worries about Latin America plays a role. All banks have improved with the stock market boom, and Barclays' discount on net value is less than 10 per cent, suggesting that investors are still worried about the quality of Lloyds' loan book...

But the message is getting across. One leading City banking analyst says the emphasis on post-tax returns is "the right idea" because it reflects global trends and because UK banks are less able to shelter tax since the changes to taxation brought in by the 1984 Budget...

Terry Smith of Greenwells also commends Lloyds for refraining from making a rights issue even though it could do one without any problem. "They realise that capital is a scarce resource," he says.

Corporate growth

Characteristics of leadership in medium-sized companies

BY CHRISTOPHER LORENZ

MOST organisations associate failure with incompetence. So it is not altogether surprising that there are very few managers around who freely admit to making mistakes.

But at MCI Communications Corporation, AT & T's fast growing challenger in long-distance telephone services, executives go so far as to volunteer their errors to outsiders without even being asked.

This sort of open recognition of mistakes is an essential ingredient of innovation in one of the key characteristics of high growth, medium-sized companies, according to Donald Clifford, Jr and Richard Cavanagh.

At MCI "making and learning from mistakes seems to be a central part of the management ethos," claim Clifford and Cavanagh. This risk-taking mentality is just one of many entrepreneurial attributes that MCI has been able to sustain from its past decade of rapid growth in small business into a \$2bn corporation.

Clifford and Cavanagh's comments are made in a jointly written book The Winning Performance, which is selling well in the United States and will be published in Britain in the spring.

Gifford and Cavanagh report that there are 14,500 US companies in this mid-size range. They comprise less than 1 per cent of all US businesses, yet make a disproportionate contribution to the US economy, accounting for 25 per cent of all sales and nearly 20 per cent of private sector employment.

The lessons which can be drawn from the management of these companies can be applied to companies of any size, the two authors argue in an article in the latest McKinsey Quarterly which summarises their book. They include "managing successful innovation" (by various means, such as the MCI technique); providing entrepreneurial leadership; and achieving a balance between spirit and discipline.

Obsessive The leaders of midsize growth companies successfully instil their own obsessive commitment to the company into their colleagues and employees, says Clifford and Cavanagh. This does not necessarily require charisma. Some of the winning chief executives, including MCI's Bill McGowan, have more than their fair share of it, but many more "are mere mortals when it comes to moving a crowd, capturing the imagination of the press, or evoking passionate followings."

But their personal leadership is effective, because through more soft-stated example they instil values. They care about those values and about their people. Clearly charisma helps, but the medium is not the message: substance is.

Another key aspect of successful leadership, argue the two authors, is planning for one's own retirement. More than any other issue, this apparently preoccupies chief executives. They interviewed during their study. "The most successful entrepreneurial executives have the organisational perspective and personal security to anticipate when the organisation's future demands better, different, or new skills, talents, energy or focus—and to stand aside when the time comes."

discipline is a fast-growing company is extremely difficult, warn Clifford and Cavanagh. "The key still is knowing what few things to control—not trying to control everything." Thus at Perdue Farms, a top American poultry supplier, "quality control consumes a vast amount of Frank Perdue's end his top management's energies" but decisions on most other issues are delegated.

Successful chief executives also make sure that objectives and procedures are not in conflict with each other. The bigger and more disparate the organisation, the more likely this is to happen, warn the two authors. "Managers are told to 'get close to their customers,' but their huge budgets are cut. Innovation and risk-taking are encouraged by the boss's words, but monthly profit goals and incentive plans tied to them punish call these situations ironic. We call them 'loopy management.'"

"Published in US by Boston, price \$19.95. To be published in UK in March by Sidgwick & Jackson, price £14.95. See also: The Art of Selling by Tom McKeown, price £14.95. See also: The Art of Selling by Tom McKeown, price £14.95. See also: The Art of Selling by Tom McKeown, price £14.95.

Miss Melita Marshall

We are asked to correct the impression given by our earlier article that Miss Melita Marshall, who had by then resigned from the Board of the company, did so as a result of changes in management requirements. Miss Marshall in fact left the company for her own reasons and to the regret of the company. Her abilities were a major factor in the growth of the company were not called into question. Domino wishes to apologise to Miss Marshall for any implication to the contrary which may have been given.

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FT COMMERCIAL LAW REPORTS

Removal of fixtures without filling holes is an act of waste

MANCETTER DEVELOPMENTS LTD v GARMANSON LTD AND GIVERTZ. Court of Appeal (Lord Justice Kerr, Lord Justice Dillon and Sir George Waller): December 20 1985. A TENANT who lawfully removes fixtures...

Mr Givertz thereupon became a director of Garmanson and its only active director. Garmanson went into occupation of the premises on February 6 1978. It decided that it was not viable to continue trading there and delivered up possession to Mancetter in October.

Waste was a somewhat archaic subject. Actions for disrepair were now usually brought on the covenant. But there was no reason to doubt the continuing validity, as a statement of the current law of the following passage in Woodfall: "When fixtures which have become part of the realty and irremovable according to law have been removed, the landlord may sue for waste. Where such waste amounts to a breach of covenant, the landlord may sue either in tort, or on the covenant."

THESE REPORTS will be published in volume form with the full texts of judgments. For details contact the King's Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-931 0891.

FT UNIT TRUST INFORMATION SERVICE

Table with columns for Authorised Unit Trusts, listing various funds like British Equity, Overseas Fund Managers, and their respective details.

The Princess Alice Hospice. We care for the terminally ill of all religions. We provide a peaceful and dignified home for our patients.

F.T. CROSSWORD PUZZLE No. 5928

Crossword puzzle grid with numbers 1-30 indicating starting positions for clues.

ACROSS 1 and 4 Found out like acrobat in 13? (8, 2, 3, 3) 10 US call him in variety—seen in 13? (5, 4) 11 First one in 13 is a special occasion (5) 12 Ted and Una initially could be performing in 13 (4) 13 Where saw-bones works (3, 7) 15 A nose surrounding hognosing of trick is to bewilder (7) 16 Noteworthy groups possibly in 13 (8) 19 and 21 Keep the business going in 13 (2, 4, 3, 4) 23 Iron falls to fall (4) 27 Don to mislead (3, 3) 28 Eurasian, one bears, is 50 per cent of 13's players (4, 5) 29 Dot's tape wound to take place later (8) 30 Whispers heard in 13 (6)

APPOINTMENTS

New chief for John Menzies

Mr T. P. Callaghan is retiring as managing director of JOHN MENZIES on October 1. He will continue to provide his executive capacity. He will be succeeded by Mr Ransid Neel-Paton who joins John Menzies later in the year. Mr Neel-Paton is currently with the British Airways, of British Caledonian Airways based in Hong Kong.

Mr R. E. Fitzgibbon has joined the board of ADVANCED TECHNOLOGY TRUST as managing director. Mr Barry Perry has been appointed managing director of CROWTHER OF SYON LODGE. GRUNDON GROUP has re-structured its management following the retirement of the founder, Mr Steve Grundon. Mr R. R. (Dick) Willgoss becomes group chairman. He was managing director of S. Grundon (Waste). Three new directors were appointed to the boards of both Grundon Group operating companies: Mr Derek Staggall, Mr A. J. (Tony) Mitchell and Mr Richard D. Bray.

AUTHORISED UNIT TRUSTS & INSURANCES

Table listing various unit trusts and insurance products, including names like 'Scottish Widows Fund Management' and 'Scottish Life Investments', along with their respective details and contact information.

Table listing various unit trusts and insurance products, including names like 'Allied Dunbar Assurance Plc' and 'Confederation Life Insurance Co', along with their respective details and contact information.

Table listing various unit trusts and insurance products, including names like 'Assicurazioni GENERALI SPA' and 'Legal & General (UK) - Contd.', along with their respective details and contact information.

Table listing various unit trusts and insurance products, including names like 'Manufacturers Life Insurance Co (UK)' and 'Property Growth Asser Co Ltd - Contd.', along with their respective details and contact information.

INSURANCES

Table listing various insurance products, including names like 'AA Friendly Society' and 'Allan's Life Insurance Co Ltd', along with their respective details and contact information.

INSURANCE, OVERSEAS & MONEY FUNDS

Table of financial data for various insurance and overseas funds, including company names, fund names, and numerical values.

Main table of financial data for insurance, overseas, and money funds, listing numerous fund names and their corresponding values.

Table of financial data for money market bank accounts, listing various bank account types and their values.

OFFSHORE AND OVERSEAS

Table of financial data for offshore and overseas funds, including fund names and values.

OPTIONS

Table of financial data for options, including 3-month call rates and other option-related information.

COMMODITIES AND AGRICULTURE

Malaysian commodity earnings decline

EXPORT EARNINGS from Malaysia's non-oil commodities were estimated to have declined by 6.7 per cent last year to 14.4bn Ringgit...

Agreement near on farm aid fund

THE INTERNATIONAL FUND for Agricultural Development (IFAD), the Rome-based UN agency which attempts to assist the poorest farmers in the world...

Legal row looms over tin crisis

A LEGAL row is threatening to erupt at the London Metal Exchange in the wake of the apparent failure of attempts to reach a negotiated settlement of the tin crisis...

LONDON MARKETS

COFFEE PRICES dropped further yesterday on the London robusa futures market amid continuing uncertainty over the outcome of the International Coffee Organisation's talks...

INDICES FINANCIAL TIMES

Table showing financial indices for Jan 21 and 20, 20th and 20th ago, Year ago, 1984, 1985, and 1986.

US MARKETS

PRECIOUS METALS traded erratically as early speculative buying encountered strong resistance from trade selling...

HEATING OIL 42,000 US gallons

Table showing heating oil prices in US gallons for various months and years.

Philippines sugar shortfall likely

PHILIPPINE sugar production for the first four months of the 1985-86 crop year, which began last September...

Cotton price disaster for world's poorest country

GHAD, the world's poorest country with an annual per capita income of just \$80, looks set to make a massive loss this year on cotton...

COPPER

High grade copper prices rose on the London Metal Exchange yesterday, reflecting a recovery in the tin market...

MAIN PRICE CHANGES

Table showing main price changes for various commodities like metals, oils, and grains.

ALUMINIUM

Unofficial + or - High/Low prices for aluminium, showing a rise in high grade prices.

NEW YORK

ALUMINIUM 42,000 lb, cents/lb. Prices in New York for aluminium.

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb. Prices in Chicago for live cattle.

LIVE HOGS 30,000 lb, cents/lb

Prices in Chicago for live hogs.

Chile's low cost copper puts the squeeze on competitors

IN 1982 Chile displaced the US as the world's largest producer of primary copper. Last year Chile's mine production of 2.25m tonnes exceeded US production...

The net effect of these and other investments will be to raise CODELCO's mine production from 1.1m tonnes of copper in 1985 to about 1.56m in 1990...

Chile's ability to finance or attract investment on this scale in copper mining suggests that the industry's crisis-ridden image worldwide is unduly influenced by the poor state of high-cost North American copper producers...

LEAD

Unofficial + or - High/Low prices for lead, showing a rise in high grade prices.

COFFEE

After opening on unchanged prices, the London robusa futures market traded higher on commission house buying...

POTATOES

April opened 40p down in line with a stable physical market and low Dutch quota...

OIL

After a brief recovery during the morning, oil prices continued their descent...

Christopher Stobart on the continuing push to expand production capacity

which accounts for more than half CODELCO's output, a 50 per cent increase in mine output will come on stream in 1988...

producer, operates no mine but smelts and refines the output of many of Chile's medium-sized and small mines...

Finally, Chile has been responsible for recent advances in the technology of smelting and in hydro-metallurgy. These promise to continue the downward trend in production costs...

NICKEL

Unofficial + or - High/Low prices for nickel, showing a rise in high grade prices.

COFFEE

After opening on unchanged prices, the London robusa futures market traded higher on commission house buying...

SOYABEAN MEAL

The market opened 2.00 higher on renewed optimism, reports T. G. Redlick, prices remained steady...

SPOT PRICES

CRUDE OIL FOB (per barrel)-Feb. Arab Heavy 29.20-29.25...

ZINC

High grade zinc prices rose on the London Metal Exchange yesterday, reflecting a recovery in the tin market...

COFFEE

After opening on unchanged prices, the London robusa futures market traded higher on commission house buying...

SUGAR

LONDON DAILY PRICE-Raw sugar 418.50, refined sugar 418.50...

CRUDE OIL FUTURES

Index (5 barrel) - Brent Blend (Business done) - Index 20.95...

MEAT

Prices opened on a steady note due to firmer physical and settled further on a lean buying and short-covering...

GRAINS

Old crop wheat continued to drift lower, reflecting a firm physical market...

RUBBER

PHYSICALS - The London market opened unchanged, attracted no new orders...

SOYABEAN MEAL

The market opened 2.00 higher on renewed optimism, reports T. G. Redlick, prices remained steady...

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar weak

Sterling fell to its lowest level since March 1984, reflecting fears about lower oil prices. Early trading saw the pound fall to DM 3.4750 against the D-mark...

The market was still unable to make any positive move after an inconclusive outcome to the G5 meeting of finance ministers over the weekend. The dollar's bearish undertone therefore asserted itself...

The D-mark was a little higher against the dollar in Frankfurt yesterday with the US unit finishing at DM 2.4518 from DM 2.4720. Interest tended to centre on sterling and its reaction to lower oil prices...

FINANCIAL FUTURES

Stronger tone

Unchanged money market dealing rates from the Bank of England gave the three-month sterling deposit contract a boost on the London International Financial Futures Exchange yesterday...

E IN NEW YORK

Jan. 21 Close Prev. close
Spot 1.4070-1.4080 Unavailable
1 month 1.63-1.65pm
3 months 1.70-1.75pm
12 months 2.95-3.00pm

POUND SPOT—FORWARD AGAINST POUND

Table with columns: Jan 21, Day's spread, Close, One month, % Three months, % p.a.

CURRENCY MOVEMENTS

Table with columns: Jan. 17, Bank of England, % Change

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Table with columns: Jan 21, Day's spread, Close, One month, % Three months, % p.a.

OTHER CURRENCIES

Table with columns: Jan 21, Bank of England, % Change

CROSS RATES

Table with columns: Jan 21, £, DM, Yen, FF, SFr., H.F.L., Lira, C.F., B.F.

CURRENCY-RATES

Table with columns: Jan. 21, Bank of England, Special Drawing Rights, % Rights

EURO-CURRENCY INTEREST RATES

Table with columns: Jan. 20, Short term, 7 days notice, 1 month, Three months, Six months, One year

STERLING INDEX

Table with columns: Jan 21, Previous, 12m, 24m, 36m, 48m, 60m

MONEY MARKETS

Nerves tighten in London

The London money market was extremely nervous yesterday, and although the Bank of England could claim to have kept deposit rates virtually unchanged, dealers continued to fear another rise in bank base rates...

three-month bank bills rose to 13 per cent from 12 1/2 per cent. The Bank of England initially forecast a market shortage of £500m but changed this to £250m at noon...

FT LONDON INTERBANK FIXING

Table with columns: (11.00 a.m. Jan. 21), Three months U.S. dollars, bid 5 1/8, offer 5 7/8

LONDON MONEY RATES

Table with columns: Jan. 21, Over night, 7 days notice, Month, Three months, Six months, One year

MONEY RATES

Table with columns: Jan. 21, Frankfurt, Paris, Amsterdam, Tokyo, Brussels, Dublin

LONDON

Table with columns: 20-YEAR 12% NATIONAL GILT, 10% NATIONAL SHORT GILT, US TREASURY BONDS

CHICAGO

Table with columns: US TREASURY BONDS (CBT) %, US TREASURY BILLS (HM) %

CURRENCY FUTURES

Table with columns: POUND-S (FOREIGN EXCHANGE), LIFFE-STERLING, LIFFE-DEUTSCHE MARK

STERLING INDEX

Table with columns: Jan 21, Previous, 12m, 24m, 36m, 48m, 60m

FT LONDON INTERBANK FIXING

Table with columns: (11.00 a.m. Jan. 21), Three months U.S. dollars, bid 5 1/8, offer 5 7/8

LONDON MONEY RATES

Table with columns: Jan. 21, Over night, 7 days notice, Month, Three months, Six months, One year

FOREXTREND
The currency forecasting aid designed by Forextrend, the currency manager, currency forecasters & currency options advisers.

A 72 page Review & Outlook on Metals & Commodities
Rudolf Wolff
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Table containing 'BRITISH FUNDS', 'AMERICANS-Cont.', 'CANADIANS', 'INT. BANK AND OSEAS GOVT STERLING ISSUES', 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', 'BEERS, WINES & SPIRITS', 'BUILDING, TIMBER, ROADS', 'AMERICANS', and 'FOREIGN BONDS & RAILS'.

Table containing 'AMERICANS-Cont.', 'CANADIANS', 'BEERS, WINES & SPIRITS', 'BUILDING, TIMBER, ROADS', and 'AMERICANS'.

Table containing 'LONDON SHARE SERVICE', 'BUILDING, TIMBER, ROADS-Cont.', 'DRAPERY & STORES-Cont.', 'ELECTRICALS', 'CHEMICALS, PLASTICS', 'DRAPERY AND STORES', 'ENGINEERING', 'HOTELS AND CATERERS', and 'INDUSTRIALS (Miscellaneous)'.

Table containing 'ENGINEERING-Continued' and 'INDUSTRIALS-Continued'.

Financial Times Wednesday January 22 1986

INDUSTRIALS—Continued

Table of industrial stock prices including companies like Shell, BP, and various engineering firms.

LEISURE—Continued

Table of leisure stock prices including companies like British Airways, British Telecom, and various media companies.

PROPERTY—Continued

Table of property stock prices including companies like British Land, Granada, and various real estate firms.

INVESTMENT TRUSTS—Cont.

Table of investment trust stock prices including various funds like British American, British Overseas, etc.

FINANCE, LAND—Cont.

Table of finance and land stock prices including companies like City of London, City of London Finance, etc.

MINES—Continued

Table of mining stock prices including companies like Anglo American, De Beers, etc.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stock prices including companies like British Aerospace, Rover, etc.

Commercial Vehicles

Table of commercial vehicle stock prices including companies like Leyland, DaimlerChrysler, etc.

Components

Table of component stock prices including various parts and accessories companies.

Garages and Distributors

Table of garage and distributor stock prices including companies like Halfords, etc.

SHIPPING

Table of shipping stock prices including companies like P&O, Cunard, etc.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stock prices including companies like News International, etc.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stock prices including companies like Newsprint, etc.

SHOES AND LEATHER

Table of shoes and leather stock prices including companies like Clarks, etc.

SOUTH AFRICANS

Table of South African stock prices including companies like Anglo American, etc.

TEXTILES

Table of textile stock prices including companies like Burberry, etc.

INSURANCES

Table of insurance stock prices including companies like Prudential, etc.

PROPERTY

Table of property stock prices including companies like British Land, etc.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stock prices including various funds and companies.

TOBACCO

Table of tobacco stock prices including companies like British American Tobacco, etc.

TEAS

Table of tea stock prices including companies like Tetley, etc.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

*First Declares Last Account Dealings Dates Dealings Day Dec 9 Dec 19 Dec 20 Jan 6 Dec 23 Jan 9 Jan 10 Jan 20 Jan 21 Jan 23 Jan 24 Feb 3

*New-time dealings may take place from 2.30 am two business days earlier.

A continuation of the pressures for dearer money sent leading stocks lower throughout the morning trade yesterday. Shortly after midday, the FT Ordinary Share Index was down 84 more with investors paying little heed to an early Bank of England signal that it was not ready to accept a fresh increase in bank base rates.

Against the trend in a dull building sector, Royal Portland edged up to 752p, after 730p. General Accident finished the same amount down at 715p. Among Life issues, falls of between 10 and 14 were seen in Sun Life, 789p, Legal and General, 697p, and Prudential, 788p.

The Really Useful Group staged a highly satisfactory debut given the surrounding uncertainty. The shares, offered at a minimum tender price of 320p with striking price of 335p, opened at 335p and advanced steadily to 340p; dealers reported a relatively small number of public sales which were easily absorbed.

Distillers eased a couple of pence to 560p in relatively subdued trading as investors examined the possibility of the counter-bid from Guinness incurring a Monopolies Commission reference. Guinness fell 3 more to 1257p; the shares-and-cash offer for Distillers is now worth just under 600p per share. Original bidder Argyle dipped 5 more to 250p.

From that moment on a change of direction appeared which continued after the official 3.30 pm close to leave the FT Index a net 2.6 up on the day at 1108.77. The FT-SE 100 Share ended a mere 0.2 off at 1378.1, after 1368.1. A resumption of the recent dull trend on Well Street in the early business failed to check the later improvement here.

Glit-gled securities opened nervously with traders expecting an extension of Monday's sharp setback. Investors appeared convinced initially that only a marked rise in base rates could clear the scene but a sudden influx of buying altered these opinions. The demand, which was thought to represent mainly the closing of professional short positions, found the market oversold. Longer-dated stocks soon regained early falls of 1 and thereafter improved steadily to close with gains ranging to 1.

Shorter maturities recouped early losses of 1 to end that much higher on balance, while index-linked stocks performed similarly. More settled money market rates, three-months inter-bank rose to 13 1/2 per cent before setting unaltered at 13 1/2 per cent, were a help, but the course of sterling continued to cause anxious moments.

Clearers down again. Quietly dull conditions prevailed among the major clearing banks. Scruppy selling in an unwilling market left Lloyds 10 down at 488p. Barclays and Midland both closed 8 cheaper at 450p and 432p respectively. NatWest ended 5 off at 697p, after 693.

Sellers again held sway in insurance. Composites closed above the day's lowest levels.

Equities rebound from low early levels to close higher

FINANCIAL TIMES STOCK INDICES

Table with columns for Stock Index, Jan 21, Jan 20, Jan 17, Jan 16, Jan 15, Jan 14, Jan 13, Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, Jan 4, Jan 3, Jan 2, Jan 1, 1985.

HIGHS AND LOWS

Table with columns for Stock Index, High, Low, Change, % Change.

SE ACTIVITY

Table with columns for Stock Index, High, Low, Change, % Change.

Royals sustained a fall of 10 at 752p, after 730p. General Accident finished the same amount down at 715p. Among Life issues, falls of between 10 and 14 were seen in Sun Life, 789p, Legal and General, 697p, and Prudential, 788p.

Against the trend in a dull building sector, Royal Portland edged up to 752p, after 730p. General Accident finished the same amount down at 715p. Among Life issues, falls of between 10 and 14 were seen in Sun Life, 789p, Legal and General, 697p, and Prudential, 788p.

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Sellers again held sway in insurance. Composites closed above the day's lowest levels.

were marked up to 432p on the impressive annual results and proposed 25 per cent scrip-issue before closing a couple of pence dearer on balances at 430p. Media Technology, however, a firm market of late, succumbed to profit-taking and fell 12 to 200p.

Unlisted Securities Market counter KLP provided an isolated firm feature in Paper/printings, rising 25 to 310p, after 315p, on buying ahead of tomorrow's preliminary results.

Secondary issues provided the noteworthy movements in the Prosperity sector. Pargarmore Estates attracted speculative buying interest and gained 5 in 150p, after 148p, but Regalian encountered profit-taking and shed 15 to 325p.

Textiles, selectively supported of late, closed with modest losses for choice. Scottish English and European dipped 6 to 124p in reaction to the interim profits setback, which, taking left recent speculative favourites S. Jerome, 7 off at 66p, and Parkland, a 3 share firm spot was prodded by J. Beales, which hardened 4 for a two-day improvement of 12 to 110p; the preliminary figures also expected tomorrow.

Tobacco returned to favour, slipped down to 248p initially, attracted support following talk of an increased offer from current protagonists Hanson Trust and first-time net 3 to the good of 297p, after 292p, reaches its first closing date on Friday.

BP below best. Leading oils remained highly sensitive to movements in international crude oil prices, which, after opening lower, rallied again before turning off steadily in response to developments in US markets. Top quality oils mirrored this performance; trading around 540p during initial dealings. BP jumped to 588p during the early afternoon prior to settling a net 10 to the good at 533p. Shell balance at 660p after extremes of 633p and 666p. Enterprise Oil proved a resilient market and retained a gain of 5 at 338p. Bechtel, in contrast, helped by strong January results, were featured by Firstland Oil and Gas, which dropped 10 to 40p, and Exploration Company of Louisiana, 5 down at 40p. Jackson Exploration fell away to 268p, before a minor rally on exploration hopes to end a net 4 up at 32p.

Gold move ahead. A resumption of the recent upward trend in precious metals prices after a two-day pause, encouraged a minor rally in gold and related sectors of mining markets.

South African Golds moved higher at the outset as the former trend in bullion produced strong Johannesburg and Continental buying interest. This continued for much of the session before a flurry of profit-taking from US operators took prices off their best levels towards the close. The Gold Index responded with a 2.3 improvement to 941.8. The best performances in Golds came from the leaders where gains in excess of a point were common to Randfontein, 555, and Southwold, 229. The almost doubled profits, in

RECENT ISSUES

EQUITIES

Table with columns for Stock, Price, Change, % Change.

FIXED INTEREST STOCKS

Table with columns for Stock, Price, Change, % Change.

TRADITIONAL OPTIONS

Table with columns for Stock, Price, Change, % Change.

NEW HIGHS AND LOWS FOR 1985/86

Table with columns for Stock, High, Low, Date.

RISES AND FALLS YESTERDAY

Table with columns for Stock, Rise, Fall, Same.

RECENT ISSUES

EQUITIES

Table with columns for Stock, Price, Change, % Change.

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RISES AND FALLS YESTERDAY

Table with columns for Stock, Rise, Fall, Same.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Equity Groups, Index, Change, % Change.

FIXED INTEREST

Table with columns for Index, Change, % Change.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol., Last, Bid, Offer.

LONDON TRADED OPTIONS

Table with columns for Option, Call, Put, Price, Change.

WORLD STOCK MARKETS

AUSTRIA

Table of Austrian stock prices including Creditanstalt, Erste Bank, and others.

GERMANY

Table of German stock prices including BASF, Siemens, and Volkswagen.

NORWAY

Table of Norwegian stock prices including Bergens Bank and others.

AUSTRALIA (continued)

Table of Australian stock prices including BHP, Rio Tinto, and others.

JAPAN (continued)

Table of Japanese stock prices including Dai-ichi Kangyo Bank and others.

CANADA

Table of Canadian stock prices including Alcan, Inco, and others.

TORONTO

Table of Toronto stock prices including various Canadian companies.

MONTREAL

Table of Montreal stock prices including various Canadian companies.

NETHERLANDS

Table of Dutch stock prices including ABN-Amro and others.

FRANCE

Table of French stock prices including Bouygues and others.

ITALY

Table of Italian stock prices including IRI and others.

SPAIN

Table of Spanish stock prices including Banco de España and others.

SWITZERLAND

Table of Swiss stock prices including Swisscom and others.

HONG KONG

Table of Hong Kong stock prices including HSBC and others.

SINGAPORE

Table of Singapore stock prices including various regional companies.

NEW YORK

Table of New York stock prices including Dow Jones and various indices.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended, delisted, etc. are indicated.

OVER-THE-COUNTER Nasdaq national market, 2:30pm prices

Large table of over-the-counter stock prices for various companies.

Indices

Table of various stock indices including Australia, Austria, Belgium, etc.

NYSE-Consolidated 1500 Actives

Table of NYSE-Consolidated 1500 Actives showing price changes.

LONDON Chief price changes

Table of London stock price changes for various companies.

Special Subscription Hand Delivery

Text regarding special subscription and hand delivery of the newspaper.

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

Text about staying in Paris and complimentary copies of the newspaper.

Get your News early in Stuttgart

Text about getting news early in Stuttgart and subscription information.

Prices at 3pm, January 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month	High	Low	Stock	Yield %	Div. Pk	100 Shs	100 Shs	100 Shs
25	15	14	AAR	2.1	16	27	27	27
26	15	14	AAS	2.1	16	27	27	27
27	15	14	AAV	2.1	16	27	27	27
28	15	14	AAX	2.1	16	27	27	27
29	15	14	AAY	2.1	16	27	27	27
30	15	14	AAB	2.1	16	27	27	27
31	15	14	AAC	2.1	16	27	27	27
32	15	14	AAD	2.1	16	27	27	27
33	15	14	AAD	2.1	16	27	27	27
34	15	14	AAD	2.1	16	27	27	27
35	15	14	AAD	2.1	16	27	27	27
36	15	14	AAD	2.1	16	27	27	27
37	15	14	AAD	2.1	16	27	27	27
38	15	14	AAD	2.1	16	27	27	27
39	15	14	AAD	2.1	16	27	27	27
40	15	14	AAD	2.1	16	27	27	27
41	15	14	AAD	2.1	16	27	27	27
42	15	14	AAD	2.1	16	27	27	27
43	15	14	AAD	2.1	16	27	27	27
44	15	14	AAD	2.1	16	27	27	27
45	15	14	AAD	2.1	16	27	27	27
46	15	14	AAD	2.1	16	27	27	27
47	15	14	AAD	2.1	16	27	27	27
48	15	14	AAD	2.1	16	27	27	27
49	15	14	AAD	2.1	16	27	27	27
50	15	14	AAD	2.1	16	27	27	27
51	15	14	AAD	2.1	16	27	27	27
52	15	14	AAD	2.1	16	27	27	27
53	15	14	AAD	2.1	16	27	27	27
54	15	14	AAD	2.1	16	27	27	27
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56	15	14	AAD	2.1	16	27	27	27
57	15	14	AAD	2.1	16	27	27	27
58	15	14	AAD	2.1	16	27	27	27
59	15	14	AAD	2.1	16	27	27	27
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61	15	14	AAD	2.1	16	27	27	27
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63	15	14	AAD	2.1	16	27	27	27
64	15	14	AAD	2.1	16	27	27	27
65	15	14	AAD	2.1	16	27	27	27
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68	15	14	AAD	2.1	16	27	27	27
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70	15	14	AAD	2.1	16	27	27	27
71	15	14	AAD	2.1	16	27	27	27
72	15	14	AAD	2.1	16	27	27	27
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93	15	14	AAD	2.1	16	27	27	27
94	15	14	AAD	2.1	16	27	27	27
95	15	14	AAD	2.1	16	27	27	27
96	15	14	AAD	2.1	16	27	27	27
97	15	14	AAD	2.1	16	27	27	27
98	15	14	AAD	2.1	16	27	27	27
99	15	14	AAD	2.1	16	27	27	27
100	15	14	AAD	2.1	16	27	27	27

Continued on Page 37

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Prices at 3pm, January 21

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Hand Delivery Service advertisement for Belgium & Luxembourg, including contact information for Philippe de Norman.

Continued on Page 35

FINANCIAL TIMES SURVEY

Sharply rising costs for insurance subscribers have caused a slowdown in market growth and a dispute about how far services should extend into non-acute hospital care.

PRIVATE HEALTH CARE

Spiralling costs cause divisions

By LISA WOOD

THE CONTAINMENT of costs has become the priority for Britain's private health care industry as it tries to sustain growth into the 1990s.

Rapid expansion in subscribers between 1979 and 1981 slowed last year to an estimated increase in the market of only between 3 and 4 per cent. Five years earlier in 1980 there had been a record 30 per cent rise in business, falling back to a more modest but still substantial 14 per cent in 1981.

Who or what is responsible for such spiralling costs has been the subject of a debate that has erupted publicly in the last few months after simmering in private for some years. At its most extreme the argument is that foreign, commercially run organisations, and mainly US-owned ones have been the major offenders.

Costs factors

Mr Forman instead lists several factors which cause higher costs. These include: A rise in the frequency of people claiming. A swing away from the NHS pay bed towards independent hospitals where charges are higher.



and religious share dropped from 72 per cent to 47 per cent. All hospitals, whether NHS or independent have raised their charges substantially and often well beyond the rate of general inflation.

are being challenged, too, by commercial insurers. The most recent intervention has been that of Mutual of Omaha, the UK subsidiary of which has relaunched its private medical care insurance.

provident associations have not been keen to tackle on the ground that they do not fall into their philosophies of providing for acute hospital care. This too puts pressure on premiums.



Left: a typical private room in a Bupa hospital. Above: the £1.5m psychiatric hospital recently opened by AMI at Kuccsworth House, near Cambridge

UK INDEPENDENT ACUTE HOSPITALS (Ownership summary)

Table with 6 columns: Category, No. of hospitals, 1979 %, No. of beds, 1979 %, July 1985 No. of hospitals, July 1985 No. of beds. Rows include Charitable (Religious, Charitable, Charitable total) and For-profit (American groups, British groups, Independent, For-profit total).

Source: Association of Independent Hospitals.

CONTENTS

Links with the National Health Service 2
Profile of Robert Graham, chief executive of Bupa 3
Profile of Gene Burleson, chief executive of American Medical International 3
Pitfalls in caring for the aged 4
Specialty services: paying for test tube babies 4
Voluntary sector 4
Screening 6
The US scene: for-profit hospitals feel the squeeze 6
Psychiatric care 6

In 1985, over 350,000 more people saw fit to choose BUPA for their private health care.

With more than three million members and covering 35,000 companies, we are the largest health care group in Britain.

As a non-profit making organisation we are able to use all of our resources for the benefit of our members, and to develop the most comprehensive and up to date range of medical facilities and services available.

This has allowed us to continue our policy of building, managing and supporting private hospitals.

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What's more, every BUPA member benefits from our unique relationship with medical providers, which helps to contain the cost of medical treatment.

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Last year for instance, we purchased and installed a £1 million lithotripter for kidney patients at St. Thomas' Hospital in London.

At the National Hospital in Queen Square, we are managing a magnetic resonance scanner, the latest advancement in radiological technology.

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WHO'S KEEPING PRIVATE HEALTH CARE IN BETTER SHAPE?

Private Health Care 2

Pressure on costs stimulates more co-operation

Links with NHS

ROBIN FAULEY

THE GOLDEN days of fast and easy profits for the private medical sector have gone in Britain, as in the US. The problems are different to those within the National Health Service but each sector is now battling against considerable financial pressure with the result that, finally, there are a few signs of mutual co-operation.

For years there has been a common face between the private and public sectors — private wards and pay beds in NHS hospitals, NHS consultants also working as private consultants — but the two have continued to exist as entirely different and separate worlds.

The Office of Health Economics has reported on two independent surveys by the Royal Institute of Public Administration and Leeds University's Nuffield Centre for Health Service Studies. They indicate that collaborative and co-operative arrangements are still largely regarded by health authorities as avenues of last resort when efforts at achieving an in-house solution fail. Nevertheless, the surveys also show that where a public-private interchange takes place it is usually implemented successfully.

Contractual

The 1984 studies show that in the majority of fields the health authorities had not discussed collaboration or entered joint development for use by both public and private patients within the previous 12 months. Nevertheless, more than 40 per cent of the 202 health authorities in England and Wales had some sort of contractual arrangement in place.

The flow was heavily weighted to the NHS as a provider and the independent sector as consumer — for example the selling of clinical services such as pathology by the NHS to the private sector.



The film lithotripter made available by Bupa for use by NHS and private patients being used at St Thomas' Hospital. Mr K. E. D. Shuttleworth, consultant urologist (left) and Mr R. Graham, chief executive of Bupa, watch a patient being lowered into the water. Shock waves disintegrate the kidney stones in the body into sand grain particles. The treatment is usually painless and takes about 45 minutes.

For long-term chronic care the flow was the other way with a third of health authorities contracting out long-term care of the mentally ill, mentally handicapped and the disabled to the private sector.

But the new financial pressures facing both sectors coupled with the sharp rise in the worldwide costs of new medical technology could push the NHS and the private sector into more joint developments. Mr Victor Paige, chairman of the NHS Management Board, said the NHS and private sector could make joint use of equipment that separately neither could afford or there may be opportunities for joint training.

Mr Kenneth Clarke, then

health minister, told the last Financial Times conference on independent health care that the Government regarded the private sector as complementary to the NHS and he urged two-way co-operation.

There are already some examples, principally between the NHS and the British non-profit private sector rather than the US-led organisations which are more profit-orientated.

Bupa has been something of a leader and Mr Bob Graham, Bupa chief executive, went as far as to say last year that the future of private health care lay in containing costs and in a partnership with the NHS.

One example has been an agreement between Bupa hospitals and the Great Yarmouth

and Waveney health authority to fund jointly a nurse tutor who will work at seven NHS hospitals in East Anglia and the new Bupa hospital at Norwich.

The role of the nurse-tutor is to co-ordinate all in-service training of the qualified nursing staff at the Bupa hospital while the emphasis in the NHS hospitals is on showing all nursing staff how to deal better with patients as individuals rather than as medical cases.

Both sides are enthusiastic. Mr Robert Guest, district nursing officer, said it was unlikely that the NHS could have found money alone from its hard-pressed resources to appoint a tutor and Mr David Gray, manager of Bupa's hospital, said he

public sector pulled out. AMI proposed a £2.5m project under which it would buy and install a lithotripter in Manchester and, on the basis that such a piece of equipment can serve a population of 10m, it would contract it out to the health services in and around the city.

Several districts agreed but at the last minute decided that they would pool their NHS resources and buy their own machine. So AMI withdrew its plans and installed the lithotripter in the US instead; another one is now going into AMI in Switzerland.

Although disillusioned about the lack of NHS enthusiasm for such joint projects AMI is now negotiating another scheme under which it will provide a radio-therapy unit in a building adjacent to a non-London teaching hospital.

It will be used by private and public patients. AMI will set up the £4.5m costs and will receive a management fee from the NHS while the NHS will operate the unit on a day-to-day basis, putting in the radiologists and staff. However, in spite of the reticence of the public sector and the fact that the Government has put the issues on the back burner since the 1983 general election there is an important new development which could lead to much more interactive work between the two sectors.

Under the reorganisation of the NHS all districts and units have been required to appoint general managers. They have five-year contracts and may well try to make things happen as part of the pursuit for tight budgetary efficiency.

Two-way flow

Already an increasing variety of services are being put to tender. Portsmouth, Beth Blackpool and Newcastle have contracted with private hospitals to carry out some operations where the NHS waiting list is too long and the NHS now pays for nearly 10,000 operations a year to be carried out in private hospitals. Sometimes there is a two-way flow of business. One of these authorities, Portsmouth, has won a £100,000 contract against bids from five private sector organisations to provide the pharmaceutical services in Bupa's new hospital in Portsmouth.

The Government had hoped that such two-way examples would be commonplace rather than rare exceptions by now. One reason for the slow progress has been the depth of the different philosophical approaches of the two sectors — coupled with some poor experiences of co-operation, notably in some of the arrangements for the contracting out of laundry and cleaning services.

But with increasing cost pressures NHS managers seem set to become more entrepreneurial in their approach and the consequent merging of philosophy could bring the public and private sectors together in co-operative business ventures much more often. Who would have thought, even five years ago, that an eye hospital such as Manchester's might open its own optician's shop and make £40,000 a year by under-cutting high street prices?

A similar sort of deal is the new film magnetic resonance imaging scanner in London's National Hospital. The scanner unit is managed by Bupa but offers a direct referral service to both NHS and private patients.

However, a substantial residue of distrust remains between the two sectors. Mr Gene Burleson, chief executive of American Medical International which now leads the for-profit sector in Britain, doubts that very much will change without further political initiatives which are unlikely before the next general election.

He thinks eventually an entire health district will be managed by the private sector but that at the moment the Government is not prepared to go out on a limb to make it happen. "I think we are on hold for a couple of years," he said.

A major attempt by AMI to set up a joint NHS facility failed last year when the

Hospital groups July (1985)

	Beds		Hospitals	
	1985	1979	1985	1979
Nuffield Hospitals	1,265	1,029	33	30
AMI	3,190	265	18	2
BUPA	562	62	10	1
HCA United Kingdom	320	—	7	—
Community Hospitals	293	—	7	—
Humana	265	101	1	1
British Pregnancy Advisory Service	170	146	5	4
GM Health Care	159	—	4	—
London Nursing Homes	94	80	3	2
National Medical Enterprises	87	—	2	—
St Martins	74	—	2	—
Nu-Med	62	—	1	—
Health Care Corporation	54	—	1	—
Health Care Services	30	—	1	—
Nationwide	20	—	1	—
Nester Medical Services	—	—	—	—
All other hospitals	5,200	4,895	110	109
Total	10,155	6,578	201	149

Source: Association of Independent Hospitals.

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Spiralling costs cause divisions

CONTINUED FROM PAGE ONE

"I do not understand why some US companies are paying in excess of £150,000 a bed for some London developments."

The future according to one observer is likely to witness a continuation of the process of transformation of private health care from a cottage industry supported by voluntary institutions into a sector of corporate activity, though the president associations remain confident they will have a continuing role.

Slowdown

Mr Laing, in his OBE report, argues that the process of corporatisation that occurred in the US in the 1960s and early 1970s will be repeated in the UK. "The emergence of American-based health care multinationals, now operating throughout Europe, is a product of this development," he said.

"The implications for cost and quality of private health care in Britain, and its relationship with the dominant public sector, are likely to be significant," he observes.

At stake is a share of a market which in spite of the slowdown in growth is now very substantial. Overall, independent hospital based services (excluding local authority registered residential care of the elderly) amounted to £27m in the UK in 1984, the last year for which figures are available from the Office of Health Economics.



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Private Health Care 3

Two aspects of the widening gulf between the insurers and the US providers of private medical care

Containment of costs is main problem

Bupa's chief executive Robert Graham explains to LISA WOOD his case for modest levels of hospital treatment

ROBERT GRAHAM, chief executive of Bupa, Britain's biggest provident association, appears a mild-mannered man but he spoke out strongly at a recent conference against what he called the influx of profit-making and mainly foreign organisations which now account for over 50 per cent of the private acute hospital beds in this country.

Mr Graham is at pains to play down what newspapers described as a bitter hostility towards the commercial providers, and in particular US-owned ones. "I am not against commercial organisations," Mr Graham said, "but there are hospital groups that provide great luxury and we tend to see the needs of our patients more modestly."

"Cost containment," said Mr Graham, "is the greatest problem and I would criticise some of the commercial providers for unrealistic profit levels. When we started our hospital agreement plan two years ago, which negotiates an annual ceiling on costs for certain procedures in all but three of Britain's 180 acute private hospitals there were instances of up to 500 and 600 per cent mark ups on things like drugs."

In discussing the escalating cost of insurance premiums Mr Graham reflected on the history of Bupa which beside its insurance owns eight hospitals and manages a further three in England, Scotland and Wales.

"Bupa," he said, "was traditionally a middle class movement and not a wealthy man's club. We saw ourselves more as providers of nursing home

type care, that is low-cost fairly routine work. Suddenly there was an influx in the 1970s of highly-priced commercial providers of private health care."

Not only did the new commercial providers offer luxury but also the more high-tech operation such as heart bypasses and services such as in vitro fertilisation. "We are not opposed to high-tech medicine," Mr Graham said, "but we have to be selective. You cannot overnight ask policy holders for a great deal more money than they are used to paying."

He strongly fends off criticism—made by organisations such as AMI—that Bupa is restricting growth in the business by not providing insurance for services such as out-patient psychiatric and out-patient alcoholic and drug care. "We have not had a history of excluding things that we have traditionally covered," Mr Graham said. "Our philosophy is that we deal with acute care."

"If you start to build into insurance long-term care then the costs of subscriptions have to go up and you limit the market. It is quite contrary to what people such as Mr Burleson of AMI suggest."

"There are certain aspects of health care that are not appropriate to insurance. Nobody, I am sure expects Bupa to insure for detention centres."

Dentistry and GP primary care were also areas Bupa had found difficulties with. "We did try with primary care some years ago," Mr Graham said, "but it is very difficult to pin down genuine illness. People may go to see their GPs because they are lonely."

"The main problem is distinguishing between the routine and the exceptional. We pay for exceptional needs that require surgery but not for routine work such as fillings. It simply is not suitable for the insurance financing mechanism. We have also looked at private casualty units but have been



Robert Graham, chief executive of Bupa, Britain's biggest provident association.

unable to establish sufficient demand." Mr Graham said that with some 3.2m subscribers Bupa had an unrivalled indicator of what the market wanted.

Expansion of the market, Mr Graham said, was a job of making continuing efforts to educate and permeate the market place and keeping premiums down to modest levels.

"Bupa," he said, "has less market share over the last 10 years (currently some 70 per cent of the total private health care insurance market) but last year we brought into the market 400,000 new subscribers out of the total of 475,000."

"We did put premiums up by 11.5 per cent in early January but they did not go up last June and our premiums are increasing by a lower rate than medical inflation."

Over-bedding, one of the causes of spiralling inflation in the private health care business with some hospitals running at 40 per cent occupancy, was not

AMI's chief executive Gene Burleson tells ROBIN PAULEY why there should be an expanding market for services

THE CONFLICT between the providers of private medical care in Britain and the insurers has worsened and become more public in recent months. If the problems cannot be resolved American Medical International, Britain's largest for-profit hospital company, will enter the insurance market with its own insurance schemes and abandon the traditional insurers like Bupa and PPP.

This blunt warning was given by Mr Gene Burleson, managing director and chief executive of AMI in Europe, during a wide-ranging interview.

Mr Burleson is a quiet but forthright 45-year-old Texan who runs the financial services of Eastman Kodak to enter the private medical market 12 years ago because it was "new, exciting without a lot of old management policies and procedures and it had opportunities for someone who wanted to take some risk."

He was financial director for AMI in Georgia and Texas before moving to London in 1981 and AMI had four hospitals; it now has 21. "We would like a hospital in the UK," he said, "in a city like Leeds and that will complete our acute hospital network."

The glittery days of open-ended profits in the sector are over and the industry is going through a severe "shake-down" which will last another couple of years. "One result of this is greatly increased competition for all sectors of the market and the growing disagreement between insurers and providers over costs, both hunting profits out of the same premium."

"The problem has been with Bupa and PPP who have been more interested in protecting their turf from one another than expanding the total market," he said.

Mr Burleson has been deeply wounded by the public accusation by Mr Bob Graham, Bupa chief executive, that companies like AMI are in Britain simply to make money to repatriate to the US. "We have 4,000 employees and I am the only



Gene Burleson, chief executive of AMI, the largest for-profit US hospital company in Britain.

American — hopefully my job will be held by a Briton one day. You cannot invest £125m in this country and then be told you are only here to send money back home."

Less than 10 per cent of the British population is covered by private medical insurance. "There have to be additional markets out there and we should be going after them by creating more creative types of insurance programmes to market to the population."

AMI has started to test those markets by opening up on a number of fronts—primary care, a private accident and emergency facility, a psychiatric unit for detained patients, a treatment centre for alcoholics. But the insurers have not kept up to date with these expanding markets, says Mr Burleson.

"With the recent announcement by both Bupa and PPP that they are no longer going to cover outpatient alcohol care and psychiatric care we are being forced to look at the situation. Instead of offering a wider range of services health care in this country is becoming more and more restricted."

"I'd rather not be in the insurance business and I'd rather Bupa was not in the hospital business. But we have launched our own insurance in the US (Amicare) and we are still exploring the possibility

will reimburse 100 per cent for in-patient work but nothing for the same procedure for an out-patient, even though it is cheaper."

"So when they complain about costs let us look at some of the programmes. Why don't they cover outpatient surgery, why do they allow only £200 a year or whatever for outpatient work for a whole year, why don't they cover GPs?"

"They keep talking about escalating costs but as long as we segment the market to this extent costs will have to keep rising. It is time to make more available. The AMI potter in the US picks up 80 per cent of all medical expenses and the other 20 per cent after the first \$1,000. That is what I would like to see here."

In spite of the present difficulties in Britain and the US, Mr Burleson is bullish about the future of the market here. "But when I look at some of the people who have come into the market recently and what they have paid for their hospitals I don't know what they are doing here."

"I think they have underestimated that it normally takes three to five years for a hospital to be in the black and investors aren't going to sit back and wait. I think we will see fewer and fewer of the free-standing hospitals."

The problem for the general acute sector was that most of the prime sites had gone and it was becoming more difficult to find a pocket of population to support a hospital.

"But there are other sectors still to be explored. We have hardly touched the geriatric market yet and occupational health is a very exciting growth area. Our long-term strategy remains to develop private primary care and from that we would have spokes going out to all other sectors including hospitals and as integrated system of providing care we will eventually bring doctors into the system."

"I am very bullish about the market; it will continue to grow for those who can make a profit. But I find it totally asinine to say that the profit motive is killing the whole industry. It is the profit motive that is going to keep the industry going and it is only those companies that are able to generate the profits that are going to be here. Without the incentive they are not going to last," said Mr Burleson.

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